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PREPARATION FOR THE 1990 FARM BILL

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

LIVESTOCK, CROPS, RURAL DEVELOPMENT, COMMODITY PROGRAMS, ALTERNATIVE AGRICULTURE, CONSERVATION ISSUES, AND GENERAL LEGISLATION

APRIL 24, 1989—SNOWDON, AL AND CLEVELAND, MS
APRIL 25, 1989—MARION, AR AND PLATTE CITY, MO
AUGUST 17, 1989—DES MOINES, IA
OCTOBER 16, 1989—CAMILLA, GA

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Livestock, Crops, and Rural Development

MONDAY, APRIL 24, 1989

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Snowdoun, AL.

The committee met, pursuant to notice, at 9:30 a.m., at the H.E. Cauthen and Sons Farm, Snowdoun, Alabama, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Heflin, and Fowler.

Also present: Congressman William L. Dickinson, Second District, Montgomery, AL.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. Good morning. This hearing of the Senate Committee on Agriculture, Nutrition, and Forestry will come to order.

I might say that some of you who have visited the Senate committee in Washington realize we are in a different atmosphere here, with a somewhat different view.

In Washington, we sit in this marble hall with crystal chandeliers and a big fireplace—because back there you actually need it. And, while it is very helpful that we have meetings there, when I became chairman of the committee, I stated that I wanted to get the committee out in the field for important hearings on matters like the farm credit bill and now the farm bill. I wanted to get out of Washington, so we would have a chance to see people and hear people who are going to be most affected by our legislation.

Oftentimes, people do not have the opportunity to come to Washington and testify. Coming out here offers a chance for the members, myself, and others to see parts of the country we might not otherwise see. This, for example, is my second trip to Alabama and my wife's first trip to Alabama. Being able to be down here with our good friends, the Heflins, makes it even nicer.

Now, when we started work on the 1990 farm bill, on Wednesday of last week [April 19, 1989] with the Secretary of Agriculture testifying, we did it in Washington. But then we said we would go from there and hold field hearings outside Washington. Senator Heflin, of course, because he is a senior member of the committee, told me he thought it would be good if we went alphabetically, starting with Alabama. [Laughter.]

I said I thought we should go backwards alphabetically and start with Vermont. As in most things that ever happen in the U.S. Senate, Senator Heflin won on that one, and because he is the key member of the committee, a man we rely on when we ask about these issues with respect to the South, we ended up in Alabama. Now, before I yield to Congressman Bill Dickinson, I want to yield to my good friend, the senior Senator from Alabama, and one of the true leaders in the U.S. Senate, Howell Heflin.

STATEMENT OF HON. HOWELL HEFLIN, A U.S. SENATOR FROM ALABAMA

Senator HEFLIN. Well, thank you, Pat Leahy. We are thankful that you would come to Alabama. This being your second visit to Alabama, this would be a hallmark if you get to heaven. If you do, you can only do that one time, so you have experienced close to heaven twice already. [Laughter.]

But we are delighted that you are here, and these hearings—we started the hearings on the farm bill last Wednesday with the Secretary of Agriculture testifying, and then we started on the southern regional tour, and Senator Leahy is going to other sections of the country to hold hearings.

Senator Wyche Fowler will be joining us this morning, and then he will go to Mississippi and to Arkansas and then into Missouri, so the hearings will, in effect, have a southern flavor.

I think we have some nice panels. They are sort of divided. The first panel is of two leading public officials of Alabama, and then a second panel, which under the broad term of livestock, includes catfish, cattle, dairy, hogs, chickens, and others, for which the word "livestock" via the proper restrictions could be used, and then we will have a panel dealing with crops, various row crops that we have, and then we will have a panel on rural development, and this to me is a very important subject.

We are going to try to write a rural development program. Senator Leahy and I are committed to find a good one, we had worked on it last year, but the drought legislation came along and intervened, took precedence over it.

I am pleased that we have two public officials who are here who are vitally interested in agriculture. Congressman Bill Dickinson, who represents his district very ably, and who knows the issues pertaining to agriculture in his district quite well. His district has most of the commodities and most of the livestock that we were talking about, and he also has one of the largest concentration of peanuts in the United States, and we are pleased to have Congressman Dickinson, and we will be delighted to hear from him shortly when the chairman calls on him.

And then we have the commissioner of agriculture and industries, Albert McDonald, who is a long-time farmer, who is chairman of the Alabama State Senate Agriculture Committee, who was elected as the commissioner of agriculture and is knowledgeable about agriculture as a whole, probably as much as any individual in the United States, and he is always working.

I remember one time when I phoned him, and he was out in the field running his tractor at that particular time. I phoned him another time, and he had gone to choir practice at the church, so he is sort of a well-rounded individual.

So we are pleased that these two are here with us now. So it is our pleasure to call on these two.

The **Chairman**. I figured that perhaps Commissioner McDonald figured just in case it did not work what he was doing on the planting, he would try to get a little extra help right down to the barn plan.

Congressman, we will start with you, and then go to Mr. McDonald.

STATEMENT OF HON. WILLIAM L. DICKINSON, A REPRESENTATIVE IN CONGRESS FROM THE SECOND CONGRESSIONAL DISTRICT, STATE OF ALABAMA

Mr. **Dickinson**. Well, Mr. Chairman, let me tell you how pleased I am that you are having a hearing here in the Second District of Alabama, because we are very agriculturally oriented here—the 13 counties of the Second District—and to view the magnificent home and farm of Sonny Cauthen. You are seeing some of the farms at its best.

We have about a third that is from farming, about a third from defense spending, and about a third from small industries in these 13 counties, and these go all the way down to the Florida-Georgia corner.

Most of the commodities, as my good friend Senator Heflin said, we grow here. We grow a lot of soybeans. I do not believe there are any peanuts grown in Alabama that are not from these 13 counties, because it was a $160 million crop last year.

We have extensive cattle farming here. We are a corn deficit area, but we do a lot of intensive farming. I think it is very fitting that you come and get a well-rounded picture of what the producers feel about how they are impacted on our farm bills, especially since it is coming up for reexamination in a relatively short future.

Now that I hope we have turned the corner with the drought, Congress ought to be able to see the light at the end of the tunnel, as the cliche goes, and see about working their way out, especially with some of the programs that were designed to help.

Let me say that, as pertains to peanuts, what has been put into place, with your help and Senator Heflin and a lot of work on the House side, it has been a very successful program. It is necessary to work with farmers, but it has cost the taxpayers zero—no money—since 1985, except the administrative costs. I wish all the commodity programs could make such a claim, but as the old saying goes, "If it ain't broke, don't fix it." So we are not asking for any change, unless maybe a slight tuning, a fine tuning on the peanut program.

When I first went to Congress a little over 20 years ago, we did very little to cotton farming in this area, and then you have heard of the famous statue or monument to the boll weevil that drove farmers from the cotton farms because it was not productive and they went to peanuts and then they began to prosper.

But this is not the case now. Due to a successful eradication program of the boll weevil, we have seen cotton being farmed more and more, and the increase in cotton farming, I would say, is really more than inevitable largely in this part of the State.

So we are interested in what you are doing. We are most appreciative that you would take the time to go through bringing staff down here, to hear from us involved in farming, and I am sure we will be up to talk to you further before the farm bill is finally put in final shape.

So again, I thank all of you; and now, if you want to talk to a real technician, we will let Albert talk.

Thank you, Mr. Chairman.

[The prepared statements of Senator Shelby and Representative Harris follow:]

PREPARED STATEMENT OF HON. RICHARD C. SHELBY, A U.S. SENATOR FROM ALABAMA

I would like to commend my friends and colleagues, Senators Heflin and Leahy for their successful work on the Senate Committee on Agriculture. Alabama farmers and all Alabama citizens have benefited from their endeavors. Because of Alabama's role in both the domestic and international agriculture market, I think it is quite appropriate to hold hearings on the 1990 farm bill in our State.

Even though the present farm bill has worked well and I have not heard many complaints from Alabama farmers, I think there are certain areas that should be explored. I would like to work with the Agriculture Committee, Secretary Yeutter and farmers in exploring these areas.

On the international level, I am interested into looking at ways to ensure freer and fairer trade. One way to develop such a trade policy is by working on means to enhance capital formation, productive investment, and technology development. I would like to see the Congress continue to develop innovative measures.

Also, in the pursuit of fairer trade, I would like to see an opening of the global marketplace. Achievement of a level playing field must be part of our international strategy. Without question, this would increase our net farm income.

The U.S. market is the most open market in the world. Trade equity must be our goal. Asymmetrical trade openness in the world economy is a substantial reason for our trade deficit. For example, in the European Economic Community and the European free trade area, agriculture is a protected market.

On the domestic level, of great concern to me is the state of rural America. I know this is of great concern to Senator Heflin, who chairs the Subcommittee on Rural Development and Rural Electrification. I plan to work with Senator Heflin on this issue. In the Southeastern United States, in Alabama's black belt for example, there is a definite need for rural community development. As Senator Heflin has said, unemployment in rural areas must be addressed. We need to create jobs and expand growth so that we can revitalize rural areas. Rural development strategies must be designed for the specific needs of particular communities with local input and control utilizing local resources. Perhaps, as a starting point, we should create a commission to investigate what is the better route to solve common economic problems that are endemic to rural America.

Mr. Chairman, encouraging development, stimulating economic growth, and eliminating asymmetrical trade openness in the global marketplace are some of my concerns. I hope that the 1990 farm bill will be able to address these issues in a strong and supportive manner. I am willing to work with the chairman and the other members on the committee to attain these objectives.

Thank you.

PREPARED STATEMENT OF HON. CLAUDE HARRIS, A REPRESENTATIVE IN CONGRESS FROM THE SEVENTH CONGRESSIONAL DISTRICT, STATE OF ALABAMA

I would like to take this opportunity to thank Chairman Leahy and Senator Heflin for thinking enough of Alabama agriculture and the local family farmer to come to Alabama and discuss the farm issues of our time.

I would like to say a few words concerning the state of agriculture and the work Congress has done over the last few years. I think we have made tremendous progress over the last few years to reverse the disturbing trends of farm foreclosure, and credit institution failures. In general, although there is much pain on the family farm still, many of our farmers are making a profit, our exports and land values are up noticeably.

Alabama is a small farm State, with over 40,000 small farms of 200 acres or smaller. For this reason alone it is imperative that the 1990 farm bill represent our concern for the small farmer. We must work harder to protect the investment he has made in rural America by broadening crop insurance provisions, to protect small truck crops, and taking a careful look at acreage reduction programs and conservation programs. Here in the Southeast we have had a 100 percent reduction in soybean acreage in 4 years. This reduction in acreage has cost the Alabama agriculture cash receipts $91 million in this one crop-year. Flexibility is a high priority, and support for our soybean and other programs such as peanuts is a very high concern of ours.

Finally, Mr. Chairman, I am concerned about our minority farm policy. These farmers were once thriving enterprises and today are almost nonexistent. USDA must work harder to help these farmers find secure markets and gain stronger solvency.

Thank you Mr. Chairman.

The CHAIRMAN. Thank you very much, Congressman. We are glad you are here, and glad that we could have the chance to meet here in Alabama instead of Washington.

STATEMENT OF ALBERT McDONALD, COMMISSIONER, ALABAMA DEPARTMENT OF AGRICULTURE AND INDUSTRIES, MONTGOMERY, AL

Mr. McDONALD. Thank you, Senator. And it is hard to realize that I am sitting here speaking to you and Senator Heflin at a beautiful farm in Snowdoun, or whatever might be a more local description of the setting. But we are proud to see you here, along with members of the committee. I talked to several young ladies and men of the committee last evening, and I was very impressed by their interest and knowledge of agriculture.

I do have a written statement that I have turned in, that your staff can review. And certainly, if you have time to read it, you might look at it. But let me, just perchance you do not read it, I will just give you the highlights.

First of all, let me thank the Congress for what they did last year with the drought relief legislation; a program not used in all the States, but certainly used in Alabama.

I also would like to thank you for your support of a Federal grant, which enabled the implementation of the Alabama Agriculture Loan Mediation Program. We have some of those funds in Alabama and that program has worked real well.

NEW FARM LEGISLATION

When I think about new farm legislation, certainly I would recommend that the 1985 act has been about as successful as it could be. I would recommend continuation with that type legislation, with some modifications. If there is not enough money to go around try to maintain a program which will continue to make it profitable for farmers to continue growing cotton.

ENVIRONMENTAL ISSUES

The other issues which I would like to touch on a little more carefully would be the environmental issues. I don't think you will hear about these issues from other testimony today, but the Department of Agriculture of this State, along with one other State agency, is responsible for administering all these pesticide residue programs, ground water programs, endangered species. And Senator, I know that you are particularly interested in some of these issues.

We in agriculture are probably the stewards of most of the property where these various programs impact. I can assure you that we want to cooperate; but we need input from people who understand our side of the issues. We are aware of the many problems that pesticides cause; but we are not prepared to sit and let a group who does not fully understand the impact, cause the Congress or any other Federal agency, with some knee-jerk reaction, respond in such a way that would cause us to lose some of these essential pesticides on some of these farming practices that we pursue.

So please hear us. I think we will be more vocal in presenting testimony in the future in these areas. We want to be responsible; and we intend to be responsible. But we need people to judge this action to be reasonable. We appreciate your interest in that area.

BRUCELLOSIS ERADICATION PROGRAM

One other program that I would like to touch on, and it is appropriate since we are here at this cattle farm, our brucellosis eradication program in the State of Alabama, with cattle and swine, has been very successful. It has depended, to a great extent, on Federal funds.

Every year there is a battle as to whether or not funding is sufficient. Alabama has reached the top step, a class A State now, we need only to eradicate 25 more cases, and we will be brucellosis-free. Please continue your assistance in this program.

And generally, I would just like to say that we are pleased to have you in Alabama, and I am going to leave the rest of this time for these farmers and others who will be more specific.

Thank you.

[The prepared material of Mr. McDonald appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. I do appreciate it. I also want to say that the Cauthens are very good to have us out here. I have the feeling as I look around here that this is not the normal way this barn is set up; and I have a feeling we have probably disrupted everybody else's operation here something fierce by being here.

I do not imagine there is a Trailways bus parked out here most of the time; and I do not think the Sheriff's Department always has this many folks out here. But I appreciate the fact that we have use of the Cauthen's farm. If you had to sit in those hearing rooms all the time, you cannot understand what a great joy it is to be here; especially when you are someone like me, who lives in a town back in Vermont with 1,200 people in it, at the end of about 2½ miles of dirt road. I live in an old 1850 farmhouse. I feel like I am back home when I come to a place like this.

With that, I am going to turn it over to my distinguished colleague; and Howell, maybe you could introduce our first panel, which is on livestock.

Thank you very much. Bill, thank you. Albert, thank you very much.

Senator **Heflin**. Well, our first panel we have Bill Johnson, a representative from Alabama Cattlemen's Association, and then Dr. M.K. Fckman, a researcher at Auburn University who is doing research as it applies to poultry; Jimmy Elliot, a catfish farmer from Selma; Hoyt Adair, a hog farmer or pig farmer from Moulton; and James Cook, a dairy farmer from Evergreen.

And we will let you start off here.

The **Chairman**. Sit down, gentlemen. Take a seat; get comfortable.

Senator **Heflin**. Your written testimony will be submitted for the record; and if you will, please summarize your testimony. We have a good number of witnesses, so we are going to have to keep it down to about 5 minutes per person to summarize your prepared statement.

STATEMENT OF BILL JOHNSON, CATTLE FARM OPERATOR AND REPRESENTING THE ALABAMA CATTLEMEN'S ASSOCIATION, MONTGOMERY, AL

Mr. **Johnson**. Chairman Leahy, Senator Heflin, staff members, ladies and gentlemen.

My name is Bill Johnson and I live just over the hill north of here. My family and I own and operate a commercial and purebred Red Brangus cattle operation. And on behalf of the Alabama Cattlemen's Association, the largest Cattlemen's Association in the country, with some 16,000 members, Dr. Billy Powell and myself welcome you to Alabama; and we thank you for coming.

Now, I have a prepared statement that I will be giving to you to take along with you; and we would just ask that when you have time, that you would read over it. And I am going to touch on just a few things in that statement; I am certainly not going to read the statement.

CATTLE INDUSTRY HAS NO DIRECT PRICE SUPPORT

The cattle industry has no direct price support. We depend on supply and demand; and we would just ask that it could just be left alone and just stay that way. That is all that we want out of it.

We feel that the 1985 farm bill is working, and played a vital role in bringing the cattle industry out of a big depression.

DO NOT HURT ONE COMMODITY WHEN HELPING ANOTHER ONE

As you work on the 1990 farm bill, we would ask that you just keep in mind that when you are working on a plan for one commodity, one of the commodities sitting here at the table, that you just would not do anything in helping one commodity that would hurt our buddy down the road that might be in another commodity.

DROUGHT DISASTER ASSISTANCE—HELP APPRECIATED

And I dare not mention the "D" word this morning; because we are strike two as far as the drought is concerned; but I just do not want to miss this opportunity, Senator Leahy and Senator Heflin, to tell you how much the people of Alabama, in agriculture, appreciate the immediate response that we had when this disaster happened for the last couple of summers. We just want you to know how much it meant to everybody down here; because it was a mess.

SENATOR HEFLIN A FRIEND TO CATTLEMEN OF ALABAMA

Now, it would be appropriate any time this morning to do what I am about to do; and I am going to just do it right now.

Senator Heflin, I just hope you know what you mean to the cattlemen of Alabama, and we feel in you that we have a true down-to-the-bone friend that we can call in Washington when we get in trouble; and from the bottom of our hearts, we thank you.

The CHAIRMAN. I want you to know we feel the same way about Senator Heflin, even from another part of the country.

Mr. JOHNSON. Thank you.

LONG-TERM FINANCING

The people here, the majority of the people here today, represent Alabama agriculture and operate on a tight budget; and we just don't have any long-term financing available anymore.

Now, the banks have bent over backward to try to help us; but they are just not set up for long-term financing, just not set up for it. And we desperately need some type of long-term financing.

ANIMAL HEALTH—BRUCELLOSIS PROGRAM

As far as animal health is concerned, your support in Washington, along with our State Veterinarian, Dr. J. Lee Alley has helped; and I am proud to say this morning, to put Alabama in a Class A classification as far as the brucellosis program is concerned.

We are too close to the finish line with this dreaded disease to stop now. And we would just ask that when you are putting your next plan together, that you would please make sure that you have the money in the program.

The CHAIRMAN. I am listening.

Mr. JOHNSON. And this is Senator Fowler?

The CHAIRMAN. This is Senator Wyche Fowler.

Mr. JOHNSON. Good to see you this morning.

Senator FOWLER. Thank you very much.

Mr. JOHNSON. Yes, sir.

Senator FOWLER. Sorry I am late.

Mr. JOHNSON. We just want to make sure that there are funds available on the brucellosis program, calfhood vaccinations. It would be horrible to stop that program as far as we have come now, and let that fire blaze up again.

The CHAIRMAN. Thank you very much.

Mr. JOHNSON. Just please keep that in mind.

The CHAIRMAN. Thank you very much, Mr. Johnson. I might say, too; and one other thing that you mention in your testimony, about the drought legislation moving quickly, one of the reasons it did, I am absolutely convinced, is one more example that has taken the committee out of Washington; getting out, holding our hearings; coming back and saying, "Look, we have the facts. Let's move."

And everybody said it would take 6 months. We moved it in 6 weeks, even down to having a summit meeting with the President on it, and getting it through.

I guess your next witness, Howell, is Dr. Eckman?

Mr. JOHNSON. Is that it? I would actually just have a closing point.

LEADERSHIP

We simply would like to say that we need leadership in Washington, because right now, Senator Heflin, when you were the Chief Justice down here, Montgomery was a small, nice little country town. But right now we go from Autauga County to Bullock County. Montgomery has spread out; and this is a trend throughout the State.

Instead of having crops and cattle, now we have concrete; and we are getting to be a small number. And we have to have the proper leadership in Washington; and we thank God this morning that you are up there, and you are down here with us.

Thank you, sir.

[The prepared statement and attachments of Mr. Johnson appear at the conclusion of the hearing.]

Senator HEFLIN. Thank you.

The CHAIRMAN. Dr. Eckman.

STATEMENT OF MICHAEL K. ECKMAN, Ph.D., PROFESSOR AND PATHOLOGIST, POULTRY SCIENCE, AUBURN UNIVERSITY, AUBURN, AL, ON BEHALF OF ALABAMA POULTRY & EGG ASSOCIATION, CULLMAN, AL

Dr. ECKMAN. Mr. Chairman, Senator Heflin, Senator Fowler, my name is Dr. Mike Eckman, and I am a professor of poultry science at Auburn University.

APPRECIATION

I appreciate this opportunity to appear before the committee today on behalf of Alabama's poultry industry and the Alabama Poultry & Egg Association, that represents 100 percent of the State's more than 6,000 poultry growers, breeder farms, layer operations, hatcheries, vertical integrators, further processors, marketers, microbiologists, engineers, nutritionists, research scientists, doctors of veterinarian medicine, and the poultry educators; that together with more than 45,000 Alabamians all directly derive their living in Alabama from poultry.

POULTRY—PROTEIN OF CHOICE

Poultry has fast become the protein of choice for most Americans and for many other health conscious consumers overseas. Yet compared to other food industries, the industry is quite young, and we have only just begun.

BROILER INDUSTRY

Just 49 years ago, 1940, a young businessman in Athens, Alabama, named Jim Beasley, Jr., gave birth to today's highly technical broiler industry when he saw an untapped opportunity in dressing and selling fryer chickens. He opened a small hatchery to ensure a constant supply and began selling his dressed birds first to hotels, then institutions and groceries. The rest is history.

But back then, Jim Beasley and other poultry farmers used about 18 pounds of feed grain over 16 weeks to produce a 4-pound chicken. Thanks to the modern technology and our industry's support of technological advancement and progress, today's chicken requires less than 8 pounds in finished feed and only 6 weeks to produce the safest, most nutritious frying chicken known to man.

LESS FEED AND TIME TO PRODUCE POULTRY

In other words, to produce the best poultry available today anywhere, bar none, takes 55 percent less feed and two-thirds less time than it did in 1940 when the industry first began. And most of that improvement has taken place over the past 10 years.

Today, Alabama is our country's third-largest poultry producing State, bringing more than 13 million broilers to our planet's tables every week.

So we have come a long way in a short period of time. Additionally, our market share compared to other commodities also has grown as dramatically, particularly here in Alabama.

ALABAMA—POULTRY IS THE SINGLE-LARGEST AGRICULTURAL COMMODITY

Today, nationally, poultry represents 26 percent of our Nation's total agricultural revenues. But here in Alabama, poultry is the single-largest agricultural commodity. In 1987, for example, Alabama poultry and egg farmers made more than 40 cents of every Alabama agricultural dollar. That is more than twice the revenues of peanuts, cotton, farm forest products, and soybeans *combined;* and almost double the revenue from cattle and calves.

PRODUCTION OF ALABAMA POULTRY IS GROWING

And the annual production of Alabama poultry is growing. Last year, the growth was about 13 percent. This year, according to expert forecasters, Alabama's poultry outlook could expand faster than any other State east of the Rocky Mountains by as much as 20, 25 or even as much as 30 percent or more, due to rapidly increasing market demand.

Meeting the growing demand, Mr. Chairman, is a high responsibility Alabama poultry producers take very seriously. Assuring that that demand is met with standards worthy of the health and price expectations of our customers at home and abroad is of vital interest to our country, this committee, and our industry.

GROWTH WITHOUT FEDERAL SUPPORT PROGRAMS

Mr. Chairman, our growth has come without Federal support programs. Yet, ironically, we in animal agriculture are the largest customers of U.S. producers of feed grains, which are directly covered or supported by farm programs.

Between 70 and 80 percent of our costs to produce each chicken for market is invested in feed grains. Understandably, we require and expect—and our customer deserves—an adequate feed grain supply for our chicken at market-generated prices. But that is not always the case.

HARMFUL GOVERNMENT ACTION SHOULD BE AVOIDED

Mr. Chairman, history has shown that Government programs designed to benefit one commodity often have had an adverse impact on other commodities. We believe that any Government action on behalf of a supported commodity that could prove harmful to nonsupported commodities should be avoided.

PRICE OF INCOME SUPPORTS

Price of income supports should not be set above market clearing levels. The devastating impact of the 1983 payment-in-kind program on the poultry industry should be evidence enough to demonstrate the wisdom that market responsive agricultural policies best ensure a healthy and productive food system in the years ahead.

Alabama poultry producers thrive on competition, as our growth over the years should clearly demonstrate. But over the same period of years, U.S. producers have been dealt unbalanced hands when it comes to competing in international markets, despite producing the highest quality chicken we have ever produced.

STRONG MARKET-BASED FARM POLICY NEEDED IN 1990 FARM BILL

It should come, therefore, as little surprise that we hope that the 1990 farm bill will promote a strong market-based farm policy that will offer some means for American producers to fight unfair and predatory practices engaged in by foreign competitors. Efforts to obtain relief under GATT export and research rules and procedures have been to no avail. We need productive trade negotiations, fair trading rules and improved dispute settlement procedures.

In closing, Mr. Chairman, Alabama's poultry producers for more than 50 years, have pioneered fresh productive ground in providing our country healthy products at prices most people can afford.

Today, the technology for producing poultry in Alabama is state of the science and state of the art. Our State's poultry industry produces the world's healthiest, most nutritious commodities known to humankind. If the experts are correct, with supportive agricultural policies, we will produce better and even more poultry than ever before and therefore assure that the demand and expectations of our customers will be met or exceeded.

These are high but attainable goals. But they only can be accomplished best in a climate of reasonable market-based policies, here and abroad. We as Americans deserve nothing less, and we wish you Godspeed in your deliberations.

Thank you very much.

The CHAIRMAN. Thank you very much, Dr. Eckman.

Next will be Dr. Elliot who is here to talk about catfish. Where we can produce 1.5 million catfish annually, we ought to be able to listen to him.

Your whole statement, of course, will be made part of the record. I would ask, Mr. Elliot, to hit those highlights you will want me to remember when I get back to Washington.

STATEMENT OF JIMMY ELLIOT, CATFISH FINGERLING PRODUCER, SELMA, AL

Mr. ELLIOT. I understand. Good morning. Welcome to Alabama.

CATFISH PRODUCER

As you said, my name is Jimmy Elliot, and I am a catfish producer from Autauga, County, producing 1.5 million catfish annually. I also raise beef cattle and have a Christmas tree operation. I graduated from Auburn University with a degree in building science, but I chose agriculture as my field, and I am proud I made that decision.

CONCERNS AND STATISTICS

I appreciate the opportunity today to share with you the concerns of Alabama catfish producers in relationship to this committees beginning work on the 1990 farm bill.

Your presence here indicates to me a growing awareness that aquaculture is more vital to this State and Nation today than ever before.

Alabama's 16,000 acres of water produced around 27 million pounds of processed fish in 1988—which is 12 percent of the Nation's total—worth about $16 million to our farmers. Catfish processing provided an additional $35 million to the total aquaculture income in Alabama.

AQUACULTURE INDUSTRY IS DIVERSE IN ALABAMA

Alabama's aquaculture industry is probably the most diverse of any State in the United States. We have comparative advantage over other States, especially the Midwestern States where grain supplies for feed are located. Alabama has a warm climate, abundant water sources, clay soil with good sites for pond construction, and unlimited institutional and human resources.

It is very clear that we catfish farmers have captured the industry lead in production of cultured food fish. Problems, however, still remain for orderly industry development. Many problems, I feel, can be overcome by providing services to aquaculture now available to other segments of the farming system.

Here in Alabama, under the Livestock Dealers Financial Responsibility Act, we have changed the definition of livestock to include catfish.

CONCERNS

One of my most important concerns at this point in the evolution of the catfish industry is the development of a research base that will provide long-range support for our industry. Sound, well-supported research and extension programs will provide the key to further growth and development.

DISEASE

Disease of cultured fish have presented management problems for as long as fish have been held in confinement. It has been estimated that 10 percent of all cultural catfish are lost to infectious disease—a loss that could have been prevented, ensuring more profit for the farmer. The development or approval of therapeutic compounds to treat disease is of vital concern to this industry.

WATER QUALITY AND QUANTITY

Water quality and quantity is considered by most aquaculturists to be the main problem facing our industry. We need a good source of high-quality water free of contaminants to the species grown. The competition for scarce, high-quality water supplies will place a priority on developing production technologies that minimizes water use.

REQUEST FOR CONTINUED SUPPORT

We would respectfully request the continued support of the four regional aquaculture research centers in the United States administered through the Cooperative State Research Service. Although Auburn University is not a regional center, we fish farmers in Alabama could not exist without the continued support and cooperation from the Department of Fisheries and Allied Agricultures at Auburn University. Gentlemen, let me say it again. We fish farmers could not exist without the help of Auburn University.

ERS PROVIDES VITAL STATISTICS

The USDA Economic Research Service has been providing the aquaculture industry with vital statistics for some time and their Catfish Processors Report, Aquaculture Outlook and Situation Report, and Aquaculture: Catfish and Trout Inventory. These reports are absolutely priceless in their value to every single segment of the catfish industry. These reports are currently being funded through a line item budget and we would feel more comfortable if these reports were more permanently funded.

MARKETING AND PROMOTION

In the area of marketing and promotion, we would request that the aquaculture industry receive continued support through the Agricultural Marketing Service and the Foreign Agricultural Service programs.

AQUACULTURE TITLE IN THE FARM BILL OF 1990

The National Aquaculture Development Plan is a two-volume document prepared by the Joint Subcommittee on Aquaculture in response to Public Law 96-362, the National Aquaculture Act of 1980, which states that it is national policy "to encourage the development of Aquaculture in the United States." This plan has been developed over an extended period of time, but currently there has never been an appropriation made to fund the National Aquaculture Act of 1980, therefore, USDA has no real mandate to do anything as far as aquaculture is concerned. It is my contention that as important as aquaculture is to this great nation of ours, that an aquaculture title should be given to the 1990 farm bill to ensure a more permanently funded posture within the USDA, and to shift aquaculture to a bona fide agricultural commodity.

I appreciate the efforts of your committee, and appreciate you coming to Alabama, and I thank you for your attention.

[The prepared statement of Mr. Elliot appears at the conclusion of the hearing.]

The CHAIRMAN. Well, thank you.

I should also note that Senator Fowler from Georgia, also a key member of this committee and of the Appropriations Committee, is here. He has taken the time to attend a number of these meetings in different parts of the country. I've also had a chance to be down in Georgia with him a couple of times.

Senator Fowler, I am glad you are here with us.

Senator FOWLER. We Georgians do not come to Alabama except for the football season. [Laughter.]

I am delighted to be here with my fine colleague, and you are excellent, Senator.

Mr. Elliot, I know we are trying to move fast, but how do you handle the bird predator problem?

Mr. ELLIOT. Want me to read the paragraph on the bird?

Senator FOWLER. You don't have to read it. Just tell me.

Mr. ELLIOT. Right now the bird problem is handled through the USDA. They have a bird damage control law. They are stationed in Starkville, Mississippi. They have one man. They have a staff over there in Starkville, and they try to service both Alabama and Mississippi. Most of the birds that are problems to us are protected by the U.S. Government and State laws because they are categorized as migratory birds.

So, there is very little we can do. But, what I proposed here in this statement that we try to set up an office here in Alabama.

Senator FOWLER. But, how do you physically protect your farm?

Mr. ELLIOT. Right now, all we can legally do is try to scare the birds away.

Senator FOWLER. Do you have any netting over it or anything like that?

Mr. ELLIOT. Well, when you have a 20-acre pond, it is hard to put a net over it. When you are a 1,000-acre operator—we are not that large on our farm, but some people in Alabama do operate 1,000 acres. It is hard putting nets over that much.

Right now all we can legally do is try to scare them away, and they get used to that noise pretty soon. Occasionally we have issued permits to destroy the animals, but they have a limited basis and that has not been successful. We need some help there.

Senator FOWLER. The reason I bring it up is because I heard similar favorites in Mississippi and other places where aquaculture is becoming a major part of the agricultural industry, and it is obvious, of course, that we must look at it.

The CHAIRMAN. Our next witness is Mr. Hoyt Adair, a pig farmer from Moulton. Your prepared statement will be made part of the record. You said that you would like to challenge the Department of Agriculture to find one swine producer anywhere who would say that 3.3 pounds of feed per day is sufficient for a 500-pound animal. You may want to emphasize some of the problems along that line in your statement for us, please.

STATEMENT OF HOYT ADAIR, PIG FARMER, MOULTON, AL

Mr. ADAIR. Mr. Chairman and members of the committee. My name is Hoyt Adair and I own and operate a 500 sow farrow to finish production unit.

CONCERNS

I am concerned that the U.S.-Canada Free Trade Agreement does not address the issue of eliminating Canadian subsidy programs. I cannot compete with the treasuries of other governments.

In the third and fourth quarters of 1988, Canadian pork producers received subsidies of $23.53 and $37.08 (Canadian) per hog, respectfully. I can't begin to tell you how even a $10 per head subsidy would help me. However, I am not asking for a subsidy. I am asking for fair treatment from our closest trading partner.

I and all other pork producers act independent of direct government subsidies, but I do expect the Federal Government to help against undue interferences, such as natural disasters or trade distorting practice of foreign competitors. I do not benefit from a price support program like our Canadian counterparts. Canadian producers now export about 30 percent of their domestic production with 90 percent of their pork exports destined for the United States, this lowers our prices costing me and other American producers approximately $700 million in 1988 alone.

I have some concerns that the GATT may be adopted in a form which would allow Canadian pork producers to continue to receive as many as 28 different federal and provincial subsidies in the short term. I am hopeful that the Canadian subsidy program will be removed under the long-term provisions of the Uruguay round of the GATT.

As we move in the direction of a free market concept worldwide and especially with the European Common Market and Japan, we farmers are apprehensive about the term free market. If it means truly free and equal on all sides then the American farmer is ready to compete. I urge you to ensure sure that unrealistic standards or restrictions are not established by these countries as has been the case in the past, with their only purpose being to foster to protectionism.

COMMENTS ON THE DISASTER ASSISTANCE ACT OF 1988

One other issue I would like to address today is the Disaster Assistance Act of 1988.

First of all, I would like to thank you for developing drought legislation during last seasons devastating drought.

The administration of this legislation through the Department of Agriculture has been less than acceptable to me and to pork producers in Alabama. Most producers either were deemed to be ineligible for the feed assistance programs or, if they were eligible, the levels of assistance provided was usually negligible.

As of February 28, 1989, only $243 million in Emergency Feed Program benefits had been distributed to all livestock producers including beef, dairy, lamb, and pork producers. In addition, only 514 million pounds of feed (which translates roughly to $25 to $30 million in feed assistance) were distributed under the Emergency Feed

Assistance Program. During the debate of the Disaster Assistance Act, it was estimated that approximately $800 million would be distributed annually to livestock producers in 1988 and 1989.

It is obvious that the emergency feed programs are not designed to reimburse livestock producers for their actual losses. Crop assistance payments, in contrast, are designed to reimburse crop producers for financial loss where possible. Livestock producers only receive feed assistance to provide a survival ration of feed to keep their animals alive.

Under the Crop Disaster Assistance Program, crop producers have received $2.47 billion as of February 28, 1989. The discrepancy in treatment relegates livestock producers to the status of second-class citizens.

For a full grown sow, pork producers are allocated a survival or subsistence ration of 3.3 pounds of feed per day. For swine less than 6 months old, the eligible pork producer looks forward to a ration of 2 pounds of feed per day.

I'll just stop here and say that 3.3 pounds per day for a sow—let me tell you it's not uncommon to feed 10 to 14 pounds of feed per day. Also, as far as topping hogs under 6 months old, you are going to feed them 3.5 pounds when they gain 2 pounds a day. You are talking about 7 pounds of feed. So, if you looked at figures overall, you are talking about only one-third of the feed we actually need.

I urge you to challenge the Department of Agriculture to find one pork producer anywhere that will say that 3.3 pounds of feed per day is sufficient for that 500-pound animal. Clearly, I believe that the feed ration is extremely low, and in some cases possibly inhumane for animals. We ask that you work to ensure that livestock producers obtain a fair ration of feed.

Last summer, the Secretary of Agriculture announced the availability of the Emergency Feed Assistance Program based on authority provided in 1949 legislation (7 U.S.C. 1427). This authority, however, only provided assistance for cattle—including dairy cattle—sheep and goats. It did not make provision for pork producers to be eligible for assistance for their swine. In other words, prior to last year's drought relief legislation, pork producers were not eligible for the Emergency Feed Assistance Program that allowed livestock producers to receive grain at 75 percent of the county loan rate. It appears that the Secretary of Agriculture had the authority under Public Law 86-299, dated September 21, 1959, 73 Stat. 574, amended Public Law 88-585, section 3, September 11, 1964, 78 Stat. 927 "to sell, at no less than the current basic county support rate . . . any wheat, corn, oats, barley, rye, or grain sorghums . . . owned by the Commodity Credit Corporation . . . to provide feed for livestock" in an emergency area. Therefore, it allowed all livestock producers, including pork producers, to be eligible for assistance at a level of 100 percent of the county loan rate.

In Alabama, most of our producers do not grow their own feed. This fact disallowed our producers feed assistance under the new drought legislation. When relief was denied to these producers the excuse was it would cost $2 billion estimated by the Office of Management and Budget. The whole program for all other livestock producers amounted to an outlay of less than $300 million.

It appears that ASCS has interpreted the emergency feed programs so narrowly, that only a few pork producers are eligible. Although section 1763(a) of the 1985 farm bill, and report language included in the Disaster Act of 1988, specifically state that feed must be suitable for the particular animal, ASCS continues to interpret the law in such a fashion to use surplus hay or pasture as their reason to deny pork producers access to benefits they deserve.

Let me tell you how much I appreciate your coming to Alabama and hearing our problems firsthand.

Thank you.

[The prepared statement of Mr. Adair appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Mr. Cook is a farmer more constant to the farmers up in my part of the country—a dairy farmer. I would like to hear from you, sir.

STATEMENT OF JAMES COOK, DAIRY FARMER, EVERGREEN, AL

Mr. COOK. Thank you, Mr. Chairman, and members of the committee.

My name is James Cook. I own and operate a 150-cow dairy farm in Evergreen, Alabama, in the southern part of Alabama. We consider our operation a typical family owned and operated farm for the Southeastern part of the United States.

We are here today to offer testimony before this Senate Agriculture Committee on behalf of producers like myself who are trying to make a living as a dairy farmer.

I want to offer my thanks to Senator Heflin and other members of your leadership for repealing the so-called heifer tax and the unfair diesel tax.

I'll just highlight my remarks since you already have a copy of my prepared testimony.

SUPPLY AND DEMAND

Our current program that utilizes a support price system to provide a floor and safety net for producers is essential to ensure an adequate national supply of milk. We feel it is most important that a support price system maintain a direct correlation between supply and demand.

FEDERAL MILK MARKETING ORDER

Another Federal program that I feel is essential to a healthy dairy industry is the Federal milk marketing order system. In the last farm bill you saw fit to realign the hauling differentials across the United States. This was very much needed and long overdue—we think here in the Southeast.

HIGH COST OF DAIRY FARMING

Our high cost of production has driven dairy farmers to seek alternative sources of income. Alabama had the highest percentage of producer signup in the whole herd buy out. Further signifying the low profitability of dairying in our State and area. We are still one of the most dairy deficient States in the United States. What we think about the dairy buy out and the problems that caused, it did work on a short-term basis.

HAULING DIFFERENTIAL

Through the hauling differential realignment we can now maintain a basic milk industry. The help to us in the Southeast to raise the price of our milk. It should have helped to supply their milk here and help them to pay hauling down here. However, when the distributors went to pick up milk in the Midwest, it seems they had to pay an average of $2.50 per hundredweight give-up charge.

CLASS I QUOTA SYSTEM

In looking to the future of the dairy industry, we here in Alabama are familiar with the Class I quota system. We had a State order at one time, and we are familiar with it, and a lot of farmers still like this system. We realize it is useful in balancing the supply with demand. We have some producers that feel that a reasonable quota system might be incorporated into the present system to provide for a balanced national supply at a minimum cost to the Federal Government.

GATT NEGOTIATIONS

I would also like to comment briefly on the GATT negotiations. We appreciate your efforts to represent agriculture in these talks and ensure that we are not financially sacrificed at the expense of some other industry. I would also like to maintain that section 22. It's very important to the dairy, we think.

We applaud, support, and whole-heartedly solicit the House and Senate Agriculture Committees input into the GATT negotiations on behalf of the American farmers.

FOOD CONTAMINATION SCARES

We, and other farmers as well, sometimes come under attack from food contamination scares. We ask you to address this issue in the 1990 farm bill.

SUGGESTIONS

Several suggestions we would like for you to consider are:

Establish a law requiring any product entering this country to meet the same health, quality, chemical use, and residue standards as products produced in this country.

Establish national standards and tolerances for residues of agricultural chemicals in foods and products. These standards and tolerances should be established on a national basis and based on the highest and best standards of health and safety. These standards should also provide clear and precise definitions of the terms "biological" and "organic."

Establish provisions which would mandate that the Federal Government respond immediately with a credible scientific assessment of the risks and benefits derived from products which are singled out for attack by radical environmentalists.

Establish a system for the dissemination of information regarding the ability of science to test for residues at almost molecular weight levels, communicating to the public the difference between one part per million and one part in one thousand million, and the relative personal risk involved in the ingestion of these minute quantities of vital agricultural chemicals.

I appreciate the efforts of the Senate Committee on Agriculture, Nutrition, and Forestry in providing us this opportunity to express our concerns about Alabama's dairy industry.

Thank you for your attention.

[The prepared statement of Mr. Cook appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Mr. Heflin, do you have any questions?

Senator HEFLIN. Yes, I have some questions.

Mr. Elliot, when we were considering the drought bill, I recommended that we include in the definition of livestock to be available for drought assistance—catfish farmers—I got some national criticism on the basis of why a catfish farmer, that fish in water should be considered in regards to any drought assistance legislation. Would you tell us how a drought affects catfish?

Mr. ELLIOT. Yes, Senator, I would be glad to.

In Alabama, 85 percent of the ponds that hold catfish totally depend on rainfall. They are watershed ponds. They are not pumping the water out of the ground to fill these ponds. They are totally dependent on the rainfall, and out of these drought situations when the water goes down, it decreases the amount of fish we can stock per acre. Normally we can stock about 3,000 fish per acre. If it is a full pond, we can stock it to capacity. But when the water goes down, we have to stock it a lot lower.

Even the ponds that are fed with underground water from pumps, in dry years the water table goes down which increases the pumping cost. It costs more to pump that water from a lower level. And the water table going down is something that really concerns us in the catfish business. Apparently it has taken a long time to refurnish, resupply this water and build the water tables back up, and in these drought years, the water table just keeps going down and down.

So, yes, catfish do need to be listed as livestock under these drought situations, and who better than the catfish farmer would need help when the water goes out of his pond when we do have a drought.

Senator HEFLIN. But also what is the effect pertaining to feed grains and feed that you give catfish—that is when a drought occurs and the price of feed grain goes up substantially?

Mr. ELLIOT. Yes, sir. Feed is the single most costly product in producing in a pound of catfish. It takes about one and three-quarter's pound of feed to raise a pound of catfish, and the ingredients of catfish food—about 50 or 60 percent of it is soybeans.

So, as the price of feed goes up, yes, the price of the catfish goes up and our profit goes down—one way or the other.

Senator HEFLIN. I suppose all of you are affected by the cost of feed grains? Most of you—poultry, to some degree cattle, hog farming, dairy farming—all of you are affected relative to it, and I know Dr. Eckman, in his testimony said we need a stable supply at market generated prices.

This is in regards to programs as to how one might affect another one. It also affects droughts. Maybe you, Dr. Eckman, speaking from a viewpoint of feed grains, and you mentioned the pig program to illustrate droughts and overall how the relationship of certain things like livestock, poultry, catfish, dairy cattle—all of them are affected relative to price of feed grain?

Dr. ECKMAN. Well, in our industry in the broiler phase, feed efficiency in the live production area is number one—it stands in a league by itself as far as economic impact.

So, since somewhere between 60 to 80 percent of the cost to produce a pound of broiler is in the finished feed, and to give you an example of the effect that feed variation, feed cost, poor feed relates to us, on a $140 a ton basic ingredient cost of a finished feed, one one-hundredths of a point—that is called one point in feed efficiency and the difference between the 2.0 and the 2.01 pounds per pound gain is $3,000 a point per week for 1 million birds.

So, in the live production end, we ought to say feed is not everything; it is the only thing. It is extremely important.

Senator HEFLIN. Dr. Eckman, let me ask you also to address an issue that confronts us from the view point of poultry, and that is the issue of salmonella.

Dr. ECKMAN. Yes.

Senator HEFLIN. Would you address this in what is going on in research or what can be done relative to this to give assurance to the American public pertaining to the use of poultry?

Dr. ECKMAN. I think, essentially, to be honest, it has gotten entirely out of proportion. The salmonella organisms have been with us millions of years through both warm and cold blooded animals. They are common in nature, ubiquitous. They are around many types of animal production. They are in soil and water.

Obviously, when we mass-produce animals, we like to minimize the threshold of microorganisms. We will not have a sterile food supply in any source of foods.

So essentially the way I look at it is technically that it's remarkable how good the food supply is, including poultry and other meat products in the United States considering that we have allowed the housewife and many food handlers to become careless and still do not get any problems over the years.

Now, we in poultry are attempting to address this and we want to produce the cleanest poultry possible. At this point in time, salmonella eradication is not possible, and I do not see it in the near future. But most of the salmonella problems and other food safety problems quite frankly are in poor handling, poor refrigeration, inadequate cooking, or just totally a lack of knowledge in the home or whatever food processing operation is doing it, including restaurants and so forth.

So, we are trying to educate the public on the proper handling of products we eat.

Senator HEFLIN. Mr. Johnson, I might ask you this.

In the tax bill that was passed, it eliminated income averaging. I do not believe there is any element of the American economy that needs income averaging relative to its tax laws as much as agriculture.

Give us your thoughts on the restoration of income averaging as part of the tax policies that would apply to agriculture.

Mr. JOHNSON. Yes, sir.

I do not guess there is any industry in the world more so than not only the beef cattle industry, but probably everybody sitting at this table. I mean this year we can be on top of the world, and the income situation is pretty good. Next year or 2 years from now you may show a huge loss, and this thing may go on 2 or 3 years, and then you show a profit there—we never know—we cannot know for sure what our situation is going to be from year to year, and that is why income averaging has been a savior for a lot of people, and that is why it is so important because we never know what we are going to do.

When a drought comes along, we desperately need income averaging.

Could I make one comment on the drought, too? One thing that we have seen in the cattle industry as far as the drought is concerned, there have been occasions when your real good farmer might be penalized if he has been out and really hustled and he has his hay up and he has done a good job, he has a barn full of hay, and another man just might not be a very good manager and he had not gotten his hay up, and along comes the drought and you go down to qualify, how much hay have you in your barn? Well, I have a pretty good amount. I have a barn full of hay. You do not qualify. How much do you have? Well, I do not have any. Sign up.

That is a little bit of a problem.

The CHAIRMAN. Thank you.

Senator Fowler.

Senator FOWLER. Mr. Chairman, I see we have two other panels, so I want to hold off simply in the interest of time, but I would like to make just this one comment.

I want to tell friends here that we lost the battle on income averaging as Senator Heflin's comment—we had not forgotten about it, and I do think this is a time to pay tribute as Mr. Adair did in his remarks to Senator Heflin who really was our leader and warned of penny-wise and pound-foolish nature of the heifer tax and the diesel tax. We were successful under his leadership in light of that. It is time we revalue some other things that we do every once in a while that do not quite work out the way we think they should.

The CHAIRMAN. Gentlemen, I thank all of you for being here. It is very clear that there are a whole number of things that you touched on. But certainly we talked about the new farm bill to have the flexibility in case of further drought, but also to do something that I have argued for and argued for and argued for, and that is be aware of the fact that we are in a competitive world. One of the futures of our agriculture in the United States is to be able to export. And we are having strong foreign competition from heavily subsidized countries. And I am not about to write a farm bill that has us unilaterally disarm ourselves as far as the export market is concerned. We are going to have a tough time though.

It tells the trading partners and other countries around the world that the United States is just not going to roll over and play dead on agricultural exports. We are going to be tough, we are going to use our best abilities here. And for once, the United States is not just going to say, gee willikers, we will give up with the hope maybe a few years later, you guys might do the same.

Thank you very much.

Normally we would take a break at this time, but since we have to finish by noon, we will go straight to the next panel, which is on crops. Jimmy Sanford, Bobby Weil, Don Wambles, B.B. Spratling, and Steve Dunn will appear.

Again, I might say that last night I had a chance to meet many of the people who appear again today, and it is very nice to see you and know that you all survived a meal that was about three times larger than anything I normally eat and I loved every bit of it.

We will start with Mr. Sanford.

Is that a cotton shirt you're wearing there? Just thought I would check.

STATEMENT OF JAMES H. SANFORD, COTTON FARMER, PRATTVILLE, AL

Mr. SANFORD. I thank the chairman.

Senator HEFLIN. I want you to notice my tie. Everybody tried to take a look at this. I wanted to wear it this morning, and he said no way in the world. You don't have to worry about cotton properties in Vermont. I said I am wearing my cotton tie when I get down here.

Mr. SANFORD. Mr. Weil and I are going to check labels as everybody leaves the barn today for 100 percent content of cotton.

Thank you Senator Leahy, Senator Heflin, and Senator Fowler. We want to welcome you to beautiful Alabama. I know that Vermont is a beautiful State but we welcome you to Alabama the Beautiful.

The CHAIRMAN. Thank you, sir.

Mr. SANFORD. We also would like to welcome the spouses, Mrs. Heflin and Mrs. Leahy. We think it is very appropriate, since farming is a life style, that they accompany you on this trip and we welcome them to this occasion.

Let me extend and revise my comments. I have submitted a written draft and, for brevity of time, I will just make a few comments.

COTTON—CONGRESS AND THE PARTNERSHIP

We want to thank Congress and the partnership that Congress has seen fit to enter into with our industry over the decades of the history of this country. Cotton is important to the national defense of this country, and it is important to the consumers of this country.

You made reference to the cotton shirt and the cotton tie. Cotton, 20 years ago, had a tough time with its competitive manmade fibers. And due to the partnership that Congress entered in with the cotton industry and the Cotton Research and Promotion Act, it was a forerunner of commodity organization trying to do something in conjunction with Congress.

If memory serves me right, you contributed about $10 million to get that program off the ground, and now it is an ongoing program, and we thank you for the help such as that.

This will be the fourth farm bill that I have had the opportunity to work on. I have recall of remembrance of Senator Heflin explaining to, I believe, Senator Jepsen at the time about micronaire, Senator. And some of the conversations were very enlightening.

And I do, in fact, look forward to working with all of you on this upcoming farm bill.

1985 FARM BILL AND ITS EFFECTIVENESS

Let me say that the General Accounting Office has just released a report on the 1985 farm bill and its effectiveness. And the GAO said that the bill has performed well. It has achieved three of the major objectives of that bill. And those three are stabilizing financially stressed farm economy, enhancing U.S. exports of foreign products, and third, preventing further buildup of surplus stocks.

And we would like to see many of the provisions of the current act extended, or some of the modifications therein. However, let me remind those of you who are not familiar with cotton that cotton is a unique commodity. It competes with man-made fibers. And this thought must be kept in mind as you write the new 1990 farm bill.

1990 FARM BILL—THEME SHOULD BE RESTORING ECONOMIC VIABILITY TO RURAL AMERICA

Personally, I think the theme of the 1990 farm bill should be restoring economic viability to rural America. And I think the economic and community development of rural America should receive first priority from this country in the next farm bill.

To achieve this, we have to enhance the competitiveness of our economic position in cotton production. We want the bill to enhance our market position. The competitiveness of our price, when we export approximately one-half of our U.S. production, we have to be competitive with the subsidized world.

AVERAGE WORLD PRICE FORMULA

We have sought and, finally, I think Secretary Yeutter will make some adjustment in the average world price formula for it is imperative that we remain competitive on a worldwide basis.

MODIFICATIONS IN THE COTTON RESEARCH AND PROMOTION ACT

We also want to try to achieve some modifications in the Cotton Research and Promotion Act. We have to have other competitiveness type programs. And I have left with you a brochure concerning the boll weevil eradication programs of this country that you have supported. And the Federal Government is a 30 percent partner in this.

RISK MANAGEMENT

We also need to look at risk management. And, Senator Heflin, through the drought assistance bill, the Congress has provided funds for Auburn to do some research and we thank you. This needs to be continued.

CONTINUATION OF THE CCC

We want to see the continuation of the CCC so we can transfer some of our risk on the price side. We have to have a viable community to transfer that price risk.

WELL-FUNDED RESEARCH EXTENSION AND TEACHING PROGRAM

And, in closing, it is important that this country has a well-funded research extension and teaching program of our land-grant colleges.

I want to thank you for your attendance this morning. We have welcomed you to Alabama on many occasions, especially this one.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Sanford appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Sanford.

Mr. Weil.

STATEMENT OF ROBERT S. WEIL, WEIL BROTHERS-COTTON, INC., COTTON MERCHANTS, MONTGOMERY, AL

Mr. WEIL. Thank you, Senator Leahy.

The CHAIRMAN. Cotton shirt. It is a cotton shirt you are wearing.

Mr. WEIL. And underwear and socks too. [Laughter.]

Senator FOWLER. We do not want to see those. It is not that kind of a hearing.

Mr. WEIL. Thank you, Senator Leahy, Senator Heflin and Senator Fowler.

My name is Robert S. Weil, of Weil Brothers-Cotton, Inc., a cotton merchant firm established in 1878, 111 years ago, now in its fourth generation.

1985 LEGISLATION FAILURE FOR COTTON MARKETING

Let's face it. So far as effective cotton marketing is concerned, the 1985 legislation has proved to be a failure. That legislation was enacted on the recommendation of the cotton industry, and we must take full responsibility for it. Yet, we would be remiss now if we did not admit that, as things worked out, we made a mistake and we would be less than conscientious if we did not now advocate the abandonment of the marketing loan approach and a new direction to take effect as soon as possible.

This is not to say that certain components in the industry have not profited, and for that reason, some will urge the continuation of the marketing loan despite its intrinsic flaws.

The program has created for merchants or handlers an "option" play, which allows the handler to speculate on the market for the duration of the loan by buying the equity and holding the cotton off the market at Government expense, while the Government pays the carrying charges.

HORRENDOUS COST TO TAXPAYERS

All of this comes at a horrendous cost to the taxpayer, and at a time when we must trim budget deficits. The current cost of the cotton program exceeds $2.5 billion per annum—more than $25,000 per cotton farm, or $210 per cotton acre, or $162 per bale, or $33.70 per pound—more than half the average cost of production. The object of this legislation, among others, was to reduce the burdensome surplus of 9.3 million bales. After 3 years and $5 billion, optimistically we shall end this season with an 8.4 million bale carryover, a reduction of only 900,000 bales which could have been bought and destroyed for less than $270 million over 3 years.

The foregoing is history. The heart of the matter is this: if the objective of the existing legislation is to make U.S. cotton competitive in world markets, then the marketing loan concept is hopelessly flawed and should be abandoned for the following reasons:

ABANDON MARKETING LOAN CONCEPT

First, by definition, using the "A" index to determine the "Adjusted World Price," of itself, renders U.S. cotton uncompetitive.

Second, even were the Adjusted World Price adjusted to take the above into consideration, any equity paid to the producer in this program would again render the cost of cotton uncompetitive.

Third, the object of a competitive marketing program is to enter cotton immediately into channels of consumption. The marketing loan gets the cotton out of the hands of the producer, but the cotton does not enter consumption channels until the buyer of the equity redeems the cotton. However, the program furnishes the equity holder an option to redeem the cotton at any time for the duration of the loan. In the meantime, the equity holder can play the game of speculating against the world price or the futures market.

This condition was exacerbated when the industry prevailed upon the USDA to absorb carrying charges in the loan. The result was to enhance the value of equities, to place a premium on delaying shipments at the expense of the Government, and to encourage the aforementioned equity speculation. We soon learned that anything done to make the Adjusted World Price or costs cheaper only increased the equity premium, instead of lowering selling prices to a competitive level.

Fourth, the marketing loan concept violates the sound principles of effective cotton marketing and of making U.S. cotton competitive in world markets.

MARKETING LOAN CONCEPT VIOLATES SOUND PRINCIPLES OF EFFECTIVE COTTON MARKETING

The United States is the only nation among more than 50 cotton growing countries which has assumed the role of *residual supplier*. Today, the substantial production in the Soviet Union and the People's Republic of China is too great a threat to ignore. So long as we are residual, there is no deterrent to increases in foreign production. Only when foreign farmers see *at planting time* that the United States will compete *during the movement of their own crops* will they curtail their own production.

Carrying charges are a fact of life in cotton merchandising, and the cost of carrying cotton is a strong incentive to aggressive selling and efficient marketing. The absorption of carrying charges by the Government is not only a needless expense to the taxpayers but it also contributes to inefficient marketing.

The use of the loan itself is an inhibition to marketing. This year, more cotton entered the loan than we have seen since the early 1950's. The loan creates a Government market, but the Government does not spin cotton. We need to put cotton into the cotton mills for consumption. The loan instead assigns artificial values to every combination of quality of cotton, which values remain static for a year, and are unresponsive to the dynamic values of the marketplace. It encourages production of unwanted qualities, instead of those in most demand here and abroad. The marketing loan emphasizes this undesirable feature.

The 18-month loan, of course, magnifies the flaws of the marketing loan. There will be those advocates to eliminate the loan extension, and we agree. However, elimination of the extension alone does not answer the deficiencies herein discussed.

Having demonstrated the inefficiency of the marketing loan, we would submit the following principles:

In order to encourage the maximum use of U.S. cotton, there should be no inhibitions to cotton entering the marketplace. To this end, the loan should be eliminated *as a market factor*. Indeed, the producer needs price insurance. But we should reevaluate the loan as a tool of price insurance.

The values assigned to different qualities by the loan should be eliminated as a factor in marketing. And this can be done in several ways which can be later discussed. Instead, we would propose that production payment limitations should be liberalized to meet this end.

If you wish us to amplify or discuss any of these points further, we shall be most anxious to do so and, in the meantime, I appreciate so much your attention.

[The prepared statement of Mr. Weil appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Weil.

The next person to testify will be Don Wambles, a peanut farmer from Banks, Alabama.

I notice in your testimony when I was reading it over earlier, that you have some concerns too about what has happened with the GATT hearings in Geneva, and perhaps some of your concerns sounded very much like a couple of speeches I was making on the Senate floor here a couple of weeks ago. So I am delighted to hear it.

Go ahead.

STATEMENT OF DON WAMBLES, PEANUT FARMER, BANKS, AL

Mr. WAMBLES. Thank you, sir.

BACKGROUND

Mr. Chairman, I am Don Wambles from Pike County, which is the county just south of here for some of you who may not know, and I operate a 1,000 acre farm down there. I produce peanuts, cotton, soybeans, corn, hay, and cattle. And we are delighted to have you in Alabama.

PROUD OF AGRICULTURAL INDUSTRIES AND SENATOR HEFLIN

We are proud of our agricultural industries here in the State. And we are also extremely proud to have Senator Heflin representing us and the interests of all southern farmers on the Senate Agriculture Committee. And we thank you, Senator, for the job you are doing for us.

We also hope that during your brief stay here in the State that you and the other members of the committee will get a better understanding of the unique needs and the potential that the southern region of this great Nation of ours has to offer all farmers, ranchers, and foresters.

Mr. Chairman, we also think that no other crop grown in the South represents that potential, or represents a unique need any more than peanuts do.

PEANUT PROGRAM

Senator Heflin, you represented the peanut program through some of our darkest hours back in 1980 and through your tireless work since, has brought the peanut program through the 1985 act up to today as a model program which integrates the needs of growers, processors, manufacturers and consumers.

WOULD LIKE PEANUT PROGRAM TO CONTINUE

Our program is not without its opponents though. But, through your diligence and careful tracking of the peanut title, their efforts have failed to destroy the program. And in 1990 and beyond, we would like to see that the peanut program continue in law very close to its present form. And as Congressman Dickinson stated earlier, we like to say that "if it's not broke, please don't try to fix it."

ALABAMA SECOND LARGEST PEANUT PRODUCING STATE IN THE NATION

Mr. Chairman, we want to thank you also for your past support of our program. Alabama is the second largest peanut producing State in the Nation, second only to our sister State, Georgia. Every peanut planted is grown for human food, peanut butter, confections, salted nuts, and oil. Over 15 percent of the Nation's peanuts are produced in the 13-county region of Alabama which lies directly south of us today, known as the Wiregrass region, which is the Second Congressional District represented by Congressman Bill Dickinson. And, Congressman, if you are still around, we want to thank you for your leadership and support of peanuts also. This region that I referred to relies on the peanut crop for its very existence. Excluding the two major cities in the region, peanuts touch the lives and provide a vital income for over half the population of the people in these 13 counties.

PEANUTS ARE A PERISHABLE COMMODITY

Peanuts are a perishable commodity and, for that reason, peanuts remaining unsold at the end of the marketing year are crushed for oil and meal. Thus, there is no carryover in the modern peanut program.

Since the passage of the Food Security Act of 1985, and with the exception of costs occurring from the drought of 1988, virtually the only costs to the Government for the peanut program are derived from the administration of the program.

I mentioned also that peanuts are produced as a perishable, edible product, placing them in a category closer to fruits and vegetables than almost any other row crop produced in this country. As growers, we are constantly aware of the need to assure that our produce is safe and nutritious. In fact, our industry, growers, shellers, handlers, blanchers and manufacturers have ongoing research to assure the quality and safety of our products.

CONCERNED WITH THE GATT NEGOTIATIONS

And as you alluded to, Mr. Chairman, we are very concerned with the GATT negotiations and the direction that the negotiations are taking. According to our observations, we are being pressed by our Special Trade Representative, Ms. Carla Hills, and our Secretary of Agriculture, Mr. Clayton Yeutter. We agree with Senator David Pryor, who spoke to a group of Alabama farmers in Washington in March. Senator Pryor stated then that, in his opinion, no agreement on the GATT would be preferable to a bad agreement.

SECTION 22

And as has already been alluded to, section 22 is very sacred to us in the peanut industry. And we would greatly appreciate your watching this section.

I do not know of a single farmer in Alabama who would not like to see expanded markets for his production. I do not know of a single farmer who would not favor a system of markets, domestic and foreign, which places him in a fair and direct competition in the marketplace. However, speaking as a peanut farmer, I do not want to see the U.S. program for the production of high quality edible peanuts traded for equal access to domestic and world markets for inferior oil stock peanuts. Without the current protections under the law, cheap, inferior, and perhaps even unsafe peanuts and peanut products could destroy all of the efforts that our industry has made to provide the best, safest, and most nutritious peanut products in the world.

Mr. Chairman, I have all the confidence in the world that you and the Senate Agriculture Committee would not allow American farm policy to be written in Geneva. And I would just like to thank you for your time, sir.

[The prepared statement of Mr. Wambles appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir. I appreciate that.

And, Mr. Spratling, you are a soybean farmer, and certainly soybeans are going to be a significant part of the farm bill, and we would like to hear from you, sir.

STATEMENT OF B.B. SPRATLING, JR., SOYBEAN FARMER, ROBA, AL

Mr. SPRATLING. Thank you, Mr. Chairman, Senator Heflin and Senator Fowler.

BACKGROUND

I am B.B. Spratling, Jr., a farmer from Roba, Alabama. Our farming operation consists of soybeans, timber, beef cattle, and, Senator, I even have a few acres of corn and milo for the wildlife. And, Senator Heflin, I am not talking about the wild night life that you tell us about that goes on up there in Washington, you know, but animals' feed patches and whatnot.

But, seriously, I speak now as a soybean farmer. And I have whittled this thing down. I do have written testimony that I submitted, but I have whittled it down. I have been looking at the clock.

The CHAIRMAN. I can tell you, Senator Heflin told me about the wild life down here; he came down and sat down to a dinner of chittlings. And I told him that I am just not that wild of a person. I passed that up. [Laughter.]

Mr. SPRATLING. Yes, sir. But I do thank you for coming today and we thank you for coming back when we needed drought relief also, and on the farm, and see what is going on. And we take our hat off to you.

The Food Security Act of 1985, though, was good. And I think it is working in many ways in most places. But as a soybean farmer, I would like to comment, I believe, on four things if you will let me: agricultural environment, Foreign Agricultural Service, acreage flexibility and double cropping, and the soybean loan.

AGRICULTURAL ENVIRONMENT, FOREIGN AGRICULTURAL SERVICE, ACREAGE FLEXIBILITY AND DOUBLE CROPPING, AND SOYBEAN LOAN

First, the environment. A host of incentives to encourage sound environmental practices accompanied with increased educational programs will go a long way toward continuing good stewardship of our productive land.

We intend to do our part to see that there is responsible use of agricultural chemicals and that they are used according to label instructions. We do have a problem and we want to oppose a nationwide ban that some people in Government tend to think about of a product that might have been misused just in an isolated case.

The second thing, the Foreign Agricultural Service, we thank you for the FAS and its PL-480 program, Food for Peace, its TEA Program, Targeted Export Assistance, and other programs where our Government helps our farmers develop, increase, and be competitive in world markets.

We all know the success story of PL-480, and I am proud to say that soybean farmers were the first group that worked in 1956 in Japan, and they went on to be our largest single nation customer for a number of years.

But with its long history of helping to export our farm commodities and developing our farm markets, it, at the same time, helped needy people around the world.

The TEA Program that you all started a few years ago, in the 1985 farm bill was responsible for increasing the soybean oil consumption in Portugal by some 36 million bushels of soybean equivalent. In Germany, 8.5 percent increase in soybean oil consumption.

Those same funds helped increase the share of identified soybean oil on the EC market from 3½ percent to 7 percent, just doubled it. As I mentioned earlier, you all had that in the 1985 bill, and we strongly urge and ask and encourage that you continue and strengthen that in the 1990 farm bill.

Third, acreage flexibility and double cropping. Alabama soybean farmers would like the option to improve crop rotation for agronomic and price reasons. We support the concept of the plan and flexibility where a farmer can substitute if the market dictates, and not lose his base on his program crops. Double cropping. We almost have a back door set-aside on soybeans. Specifically, why should farmers not be allowed to plant soybeans on their wheat set-aside acreage at wheat harvest? We are taking that many acres of soybean production out. It is less efficient.

And, fourth, soybean loan. Mr. Weil, I heard your testimony, and I disagree a little bit though. Alabama soybean farmers favor a loan program which would give support to U.S. soybean producers, but not necessarily support world markets and our competitors. I do not have the simple answer, but I think that there can be a fine tuning of some type program that would have some way to help U.S. farmers without hurting him.

SOYBEAN LOANS

As you look back on the soybean loans specifically, I call your attention to 3 out of the past 4 years where we have been nonnegative, we have been budget-positive on our program. In fact, in 1988, we created some $1.6 billion in revenue for the U.S. Treasury.

We understand about the budget deficit, and we are also very much concerned—I do not remember hearing anybody else mention—about out continuing trade deficit. Since 1979, U.S. production of soybeans and other oilseeds is down 31 percent, acreage is down some 20 percent. At the same time, since 1979, foreign production of these same soybeans and other oilseeds is up 52 percent, and acreage is up some 22 percent.

CRP

We need your help to continue and increase our agricultural positive balance of trade. I had a statement there about CRP, but I think two or three people have already said something about the Conservation Reserve Program, "if it ain't broke, don't fix it." It has been good for Alabama. It has been good for me and many farmers.

SOYBEAN PROMOTION, RESEARCH, AND CONSUMER INFORMATION BILL

Mr. Chairman, in closing, please let me publicly thank Senator Heflin for cosponsoring the Pryor/Bond bill for soybean promotion, research and consumer information. I have a lot of good things I would like to say about that bill, but we soybean farmers want it. We feel like if we can generate some funds, we can help ourselves in addition to the help we ask from your committee and the Congress of the United States.

That concludes my testimony, and I thank you very much for the opportunity to be here.

[The prepared statement of Mr. Spratling appears at the conclusion of the hearing.]

The **Chairman**. Thank you, and I appreciate hearing your statements and your nice things about Senator Heflin.

Where I come from, we are not used to coronations. But since coming down here, I realize what it would be like if we ever had one of these, as much as everything we hear about Senator Heflin. [Laughter.]

I wonder, Mr. Dunn, if we could hear from you now, sir.

STATEMENT OF STEVE DUNN, FEED GRAIN, SOYBEAN, AND DAIRY FARMER; WHEAT AND FEED GRAINS PROGRAMS, EVERGREEN, AL

Mr. **Dunn**. Thank you.

BACKGROUND

Mr. Chairman, Senators, I am Steve Dunn, a feed grain, soybean, and dairy farmer. I am from Evergreen, Alabama. And I would like to take this opportunity to tell you how much we appreciate your being here in rural Alabama today.

I am going to try to cover some things. I have a lot of things in my prepared testimony, but I am going to try to cover things that we have not already talked about. So, if you will bear with me, I will skip around some.

PRICE AND INCOME PROTECTION PROVISIONS IN THE 1985 ACT

First, the price and income protection provisions of the 1985 act have been the single most important element of the Federal farm program to me. I am fully aware that cuts in deficiency payments, cuts over and above those already mandated in the legislation, will be considered this year, and anticipate that further cuts will be recommended for the new farm bill. I recognize the necessity to reduce the deficit and balance the Federal budget. However, I would suggest to you that price protection and income protection programs provide this Nation with an insurance program which assures that the nonfarmer consumers, all 98 percent of them, will continue to have the world's best food at the world's lowest price. The income protection programs which are currently at or below the cost of production represent a small price to pay for the food security of the Nation.

FARMERS IN SOUTH NOT CONSIDERED IN THE MAINSTREAM OF AGRICULTURAL POLICIES

Also, Mr. Chairman, the farmers in the South sometimes feel that we are not considered in the mainstream of agricultural policies. We appreciate the assistance which was offered as a response to the 1988 drought. It was gratefully accepted. However, a workable, fair, and affordable program of all peril, all crop insurance should be implemented by the Federal Crop Insurance Corporation immediately. Farmers keep records, they are accurate enough to allow them to certify individual yields. In the interest of fairness, I for one would like to work on my own individual yields, both for the purpose of crop insurance and for farm programs.

ELIMINATE UNCERTAINTIES

Farming, perhaps more than any other business, must eliminate as many uncertainties as possible. Because we deal in biological processes dependent on climates and weather, and because these elements are uncertain, and because under the law and current economic conditions, farmers in my financial conditions must participate in Government programs, they must be made more responsive to our needs and offer a higher degree of predictability. Southern growing cycles are earlier. Program announcements, deficiency payments, disaster payments, and other program elements have too frequently been held up either because legislation has not passed, or appropriations have not been approved far enough in advance for southern farmers to utilize them. It would be very helpful to southern farmers if program announcements were made earlier, and program payments disbursed promptly.

Along those same lines, too often the directives which reach our local ASCS offices are confusing and difficult to understand. In the case of our recent drought, our directives arrived promptly, but in several instances they were revised, or changed completely. This caused me and many of our neighbors to make repeated trips to the ASCS office, which increased the processing time, and in general, was quite confusing. I thank you, and the USDA for the prompt response to our needs during the drought and I realize that in the haste to pass legislation and implement programs that confusion can occur.

RESEARCH

Markets for agricultural products in this Nation are seen to be hitting the wall. I would like to suggest to the committee that a prime area for growth is in the discovery of new products from existing and new crops. Research into the discovery of new products, and encouragement in their commercial development should be made a high priority in the 1990 farm legislation.

DEVELOPING PRODUCTS AND PROCESSES

In addition, the improvement of crops and livestock through the employment of molecular biology, genetic engineering, and biochemical manipulation can, and will, yield new and more efficient production and processing technology. Government should expand rather than reduce its role in the dynamics of developing products and processes. The traditional avenues of research in extension should be expanded. Grants and other incentives to discovery should be made more attractive to private industry through tax incentives for research and development.

POLLUTION IS A NATIONAL DISGRACE

Pollution is also a concern, and is actually a national disgrace. Renewable fuel supplies from agricultural and forestry resources could greatly reduce the pressures on the environment. Alcohol fuels, not just 10 percent gasohol could increase farm sales, decrease farm program costs, cut the balance of trade deficit, and improve the environment.

CAR MADE ALMOST TOTALLY FROM SOYBEANS

In the 1930's Henry Ford talked of a car made almost totally from soybeans. The plastics he envisioned, and which now come almost totally from petroleum and fossil hydrocarbons, could come from the fields of this Nation, the supplies renewed each year, and in the process make rural America prosperous.

LEGISLATION TO ENTER WORLD MARKETS

There's already been talk on the GATT—just skip over that. I feel like the Agriculture Committees of the Senate and the House did their best to alleviate the symptoms of these actions in the 1980 and 1985 farm bills.

In 1985, the Congress passed legislation which would once again allow us to enter world markets. The enhancement programs, the market loan provisions, and Food for Peace programs have leveled the field for American farm products, and as a result, we no longer have an overburden of surplus grains or soybeans to depress the market as it has been in the past.

NATION DOES NOT NEED FARM POLICY MADE BY NEGOTIATORS

One thing I would like to add on this is that in my opinion this Nation does not need to have farm policy made by trade negotiators. It should rest upon the Senate Ag Committee.

I will close with that statement, because I have said some of the things that have already been touched on that are in my prepared testimony here and you have a copy that you can look over at your convenience.

I would just like to thank you for the opportunity to express my concerns on these issues.

[The prepared statement of Mr. Dunn appears at the conclusion of the hearing.]

The **Chairman**. Thank you, very much, Mr. Dunn.

Senator Heflin.

Senator **Heflin**. Well, I might think on this whole entire matter of row crops and commodities, that we have to issue crop insurance which comes up in regards to applications for assistance legislation. In Alabama we—I don't know exactly, but approximately only about 16 percent carry crop insurance.

I have talked with Mr. Sanford about what it costs. What are the problems dealing with crop insurance as you see it and why we, in effect, are a low State in regards to using crop insurance?

Mr. **Sanford**. Senator Heflin, crop insurance, from a personal standpoint, for cotton production, just is not viable. It's just an added expense. There is not a benefit there as far as we are concerned personally. And most of the producers who use it are required to use it, that I'm familiar with, and I can only speak from a personal standpoint.

So it's a requirement that the lender usually places on that producer which just increases his cost of production. The program is not viable program as it now stands—on cotton.

Senator **Heflin**. Mr. Spratling and Mr. Wambles will you both comment on this issue of crop insurance?

Mr. **Spratling**. Yes, Senator. I've never had a disaster bad enough to collect on crop insurance. I've never paid for it, but I was just fortunate. But it looks like when we got into soybeans without having proven yield for a period of time and we used the county average, which was 15 bushels, and I've never made below 15 bushels. I'm fortunate, I mean I could make below 15 bushels. But it looks like the premium is too high for the coverage. I understand they are losing money on it. I mean, I understand that, but you get the bottom, the less productive farms participating.

Mr. **Wambles**. Senator, going back to what Mr. Sanford said about the insurance being really not feasible for the cotton grower. The problem that we're having in our area is cotton is just beginning to make a comeback. We were so long without actual yield history, and they went back to the yield history that we had before the boll weevil put us out of the cotton business in the Wiregrass area. That's where they were coming up with low yields giving us our yield guarantees which was completely unrealistic.

We could not afford to pay the premium for what they were guaranteeing us with a 200 pound yield guarantee. So we have to build a 10-year history before we can have our own yield with the cotton.

With peanuts the biggest problem that we have with the crop insurance is if we took up a new farm that we did not have, or have not had, in the past several years. And maybe we had—might be our neighbor, next door neighbor, or it might be someone across the county that had been working that land and had not been doing quite as good a job as we tried to do, and he has a lower yield there. Then we have to go all the way around the world just about to get our current history transferred over to that farm.

If we could have a little help, maybe whenever we take on a new place it should carry our production history.

Senator **Heflin**. Mr. Sanford, would you comment on the boll weevil eradication program. As I understand it there have been some substitutes in use of chemicals, and it is generally felt now that the changes that have been made make it environmentally acceptable for use.

Mr. **Sanford**. Yes sir. Thank you. The boll weevil eradication program, of course, is in three parts of the country—the Southeast, the Southwest, which is Arizona and California, and the High Plains of Texas. And every program—the program is using chemicals that are much safer to the environment. The product currently being used is Malathion, which everybody should be familiar with cause I happen to live in a small community, and that's what they spray my house with for mosquitos.

So, we feel like the program is very much on target. It's been successful, the growers here in southeast Alabama have just voted a referendum where 80 percent of the eligible voters turned out and passed it by 75 percent, and I think it's a strong showing for their support of the program.

Senator **Heflin**. Mr. Dunn, on the feed grains and things, basically you mentioned that certain sections of Alabama plant corn much earlier, particularly down in the really southern part where you have early spring corn and I suppose that type. Are there other aspects other than those early plantings that because of the announcements coming late that affected the planting? Would you sort of give us a little more testimony about that?

Mr. DUNN. It was mainly on our corn programs in the past. We plant as early as the middle of February in south Alabama, and sometimes we're a little early. ASCS really doesn't know what the program is going to be. We were a little more fortunate this year than we've been being because the program was set up for us in time to know which route we were going to take.

But when we're going to plant in the middle of February, we like to start planning the first of the year to plan for the entire year to have a route to go, and we like to know what the program is going to be at least 2 months before we plant to go ahead and set things up to know which route we're going take—which avenue to take.

And some of these programs, as I mentioned on the drought relief, were really confusing and hard to interpret sometimes, and even the ASCS director has a little trouble interpreting sometimes. I don't know who to blame, I'm not blaming the Senate Ag Committee. I'm just saying that sometimes it would be nice to get the announcements early and have them where we can interpret them. You may have a problem too, I don't know, but we do sometimes.

The CHAIRMAN. Senator Fowler.

Senator FOWLER. Mr. Chairman, thank you. I appreciate all of the testimony concerning all of our efforts, private and public, on food security as we move into and try enhance our international markets.

I especially also appreciate Mr. Dunn's comment on how food security can also enhance energy security. As all of you know as farmers anything that ferments can—you can make energy out of anything that ferments. We have had some modest tax dollars being spent showing how to do that—corns and beans—that can get us off this rise in imports. Just relying on oil when our country is now importing more than 50 percent, and that's not good for anybody.

I have a little alternative energy bill that I'm going to ask Senator Heflin to take a look at over on the—he's now also on the Energy Committee—that is modest by any standards, but will continue to demonstrate how we already know how to do this, and how agriculture can be a tremendous help in our energy security.

Also, I'll say one thing on chemicals, since Mr. Spratling and Mr. Dunn brought them up. We're going to look very closely at this in the conservation title of the 1990 farm bill. At not only increasing what several of you described as a very successful Conservation Reserve Program, continuing that, expanding it, and also trying to expand the concept of wetlands.

President Bush has talked about a no net loss in wetlands. We, in committee, are going to try to figure out—do better than that—have a little gain. So we will stay—maybe a net gain policy.

We're also going to look at, for the first time, giving some real incentives, along the lines that Mr. Dunn and Mr. Spratling suggested, for people to—farmers—to try low input, meaning appropriate use of chemicals, but examining their chemicals and their fertilizers, and seeing if we can't get our yields with a little less.

Since I know a lot of folks in the audience here, I ain't preaching, but this is going to be a totally voluntary program. Totally voluntary, but to try to give some incentives, including some tax incentives for seeing if we can't produce as much with just a little less. And to examine—as the cotton industry has done in its substitution with pesticides—that we can show that we might just be able to increase the health of Americans in our food and water at the same time that we sustain the quality of food that's made American food the American farmer the best producers.

I was very pleasantly surprised that so many of you included that in your testimony. I want you to know we are circulating drafts, and looking for suggestions, that's why we're here today. We haven't got it all down yet, but we will continue to solicit your input and your suggestions as we move into the conservation section—title—of the farm bill along with our commodities section.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, very much, gentlemen.

As you know we keep a verbatim record of these hearings, and to give the person who is keeping that record a break, and who is doing a superb job of it, and everybody else, we're going to take a 5 minute stretch break.

[Brief recess.]

The CHAIRMAN. If we could get back. I'm looking at the list of people that we have available, both for the open mike segment, and for the rural development panel. I'm going to let Senator Heflin work out exactly how we do this because we have to catch our next flight to Mississippi. We have to leave here at noon. Counting the number of people to testify, it will take us to something like 3:15. I will take care of the logistics of getting us to the airport. I'll leave it to Senator Heflin the logistics of getting all the people here an opportunity to testify. Would the rural development panel——

Senator HEFLIN. I think we have another one too, Mr. Larry Mead is going to be here.

The CHAIRMAN. Yes. Larry Mead from Southeast Alabama Regional Planning Commission, Dan James, Booker Whatley, Warren McCord, P.W. Brown, Dail Gibbs, and Arlie Powell. So we will start with Mr. James. You are a farmer from Brent, Alabama.

Mr. JAMES. Yes sir, I am.

The CHAIRMAN. Go ahead.

STATEMENT OF DAN JAMES, FARMER, CRP AND TREASURE FOREST PROGRAM, BRENT, AL

Mr. JAMES. Thank you, sir. Mr. Chairman, Senator, ladies and gentlemen. It is an honor to me to be able to convey to you some of the things that we have on our hearts that we might be able to sustain some relief in certain areas.

First of all, I was in for a culture shock. Where I come from you dress up and go to church on Sunday, when you go out to eat, and everybody comes casual, then on Monday morning it's time to put on your boots and work clothes and go to work, and here everybody's dressed up. I don't hardly know how to relate to that.

CHANGES NEEDED TO INCREASE TREE PLANTING ON CRP LAND

I would like to mention a couple of things in the CRP program if I may. We had as one of our objectives when it was initially set up that we were going to try to get 12½ percent of our acreage that went into the program in trees. Well, since that sign-up period we've only had about 6.2 percent of our acreage in CRP. So, it seems as though we're going to have to make some modifications somewhere if we're going to be successful in the area of getting the number of acres in trees that we hoped to.

We found that some of the farmers may need some additional incentive, in terms of putting their property in trees. Particularly, in the Midwest we may not have gotten the acreage in that we so desire, and there they need them I understand for windbreaks, for filter strips, for shelter wood, and to control both water and wind erosion.

PRIORITY RECOMMENDATIONS

The National Association of State Foresters have recommended that priority be given to several things to extend these contracts from 10, maybe to 15 years in the areas where trees have been established as windbreaks because they will be much more valuable there if they're left rather taken out at the end of the program.

Also, to modify to some extent the CRP program where you can provide cost-sharing for the conversion of land that's already in grants, conversion of grass acres to shrubs or trees to help control the water and wind erosion. Certain areas of our State, and Senator Heflin knows full well in the "Black Belt" you can't grow just any kind of a tree that you so desire. The soils there will not lend themselves to producing the type of trees we can grow in north and/or south Alabama.

So we need to consider the prospect of changing the species, maybe going from pines to certain varieties of hardwoods there in order to be able to control the erosion, and to be able to provide some additional habitat for wildlife which is becoming a real important commodity here in the South.

Also, you might want to consider in order to get the acreage in timber that we need to, according to a recent outline, marginal pastureland which doesn't lend itself to being as fully productive in a pasture capacity that it possibly could. We could convert that into timber and be successful in getting additional acres into forest and then we have a renewable resource that we can draw from.

ADDITIONAL CHANGES

We also would like to encourage them to offer a bonus for tree plantings to folks that are going to maybe put them in wildlife plantings that's going to be there longer than a 10-year span of time.

Also maybe going up to a 75 percent cost-share system rather than just the standard one for areas where it will do a good job of controlling wind erosion in the Midwest, in the western part of the country, and also for shelterbelts, for filter strips, and wildlife plantings.

Also include on that form a check-off where people who are made aware of the facility that is available to them, the fact that they are aware that they can put that land in trees rather than just in native grasses or whatever.

Also to allow areas like the Southeastern United States, where we have been real blessed with the ability to produce timber, to take that 25 percent cap off and allow him to go at a higher level, in order to get the acreage in timber that we have aspirations of doing.

STEWARDSHIP PROGRAM

We also would like to mention too, along with that CRP program, a stewardship program as it were, that to me is some of the best news that we've had come down the pike in the field of agriculture in some time.

We have here in Alabama, already on the ground, an instrument that can be utilized nationwide in the form of our "TREASURE Forest Program." Whereby we have 13 State and Federal agencies that have bound themselves together, almost in the form of a marriage where their common objective is this tree program, or the "TREASURE Forest Program." From the ASCS office, Soil Conservation Service, to the Extension Service, a whole host of agencies including Education, we're trying to promote and encourage people to do a better job on their farm woodlots.

Senator Leahy it did me good last night to hear you mention the fact that you are a tree farmer. Congratulations, my hat's off to you. You started in kindergarten, we're going to give you an opportunity to get a master's degree in the "TREASURE Forest Program," because I can assure you these are people—we have about 600 landowners in the State of Alabama that have taken over our 23 million acres of forest.

Already 1 million acres are in this "TREASURE Forest Program," where the landowners aspire to do as good a job as they know how. Now we can't compete with industry as such, but we can spend our own time and our own efforts there on the farm, and the tree farms, and our "TREASURE Forest," to enhance and promote the different objectives that are ours that would do not only ourselves, but our communities, our county, our State, and our Nation, proud when comes to the kind of jobs that we are able to do.

We have people who inspect, as the tree farm program do, the "TREASURE Forests" on a routine basis to make sure that their objectives are being complied with, that they're doing a good job in managing the forest as it should be done. We can't grow spruce nor sugar maples down here like you all can up there, but we've been blessed with a tremendous amount of diversity here.

This "TREASURE Forest" program doesn't have to specifically go by the name of "TREASURE Forest," but I don't think we'd be willing to compromise our principles by saying we would allow them to utilize anything less than the minimum standards that we already have in existence in our "TREASURE Forest" program.

The CHAIRMAN. Thank you.

Mr. JAMES. The acronym for "TREASURE Forest" is—Timber is the first one, for Recreation, Environment, Aesthetics, for enhancing the environment, have a Sustained Usable Resource that is able to perpetuate itself, and leave these woods in a better condition than they were when we initially took over the management of them. Now, this concept is one that Virginia's already chopping at the bit to get on the bandwagon, and so is the State of Florida.

We would like for this thing to fly nationwide, and I'm in hopes that we can recruit you all, so you would be more or less the ones who'll carry the ball across the Nation for us. Because it's something that has tremendous potential. You mentioned about the——

The CHAIRMAN. Thank you, Mr. James, I hate to do this, but I will have to cut you off there, only because if I don't Mr. Brown, Mr. Gibbs, and Mr. Powell are not going to be able to testify. The overall panel has only a certain amount of time, but it's a subject, especially when you get into trees and forests, that I would like to discuss further, but won't you go ahead and summarize your prepared statement. I want to make sure we are able to hear from all six members of the panel, not just three of you.

Mr. JAMES. Thank you, sir. The two other things that I would like to mention is the fact that we could use this as a cost-saving device by literally hundreds of thousands, and millions of dollars, in terms of trying to obtain our objectives.

We are most thankful for the cost-share systems that we have in place that gives us encouragement to establish our lands in timber. We would like, however, to mention the fact that we definitely need to reinstate our capital gains in terms of the taxes on our forests as they are harvested. It's a long term thing and it sort of strips us when the time comes we have to treat it all 100 percent as ordinary income.

Thank you, very much.

The CHAIRMAN. Thank you.

[The prepared statement of Mr. James appears at the conclusion of the hearing.]

The CHAIRMAN. Mr. Whatley.

Senator HEFLIN. Mr. Whatley's has a book here that I want you to take a look at.

The CHAIRMAN. I saw that. In fact, I see Mr. Whatley's book shows how to make $100,000 farming on 25 acres. Now, I figured this out a few minutes ago. I have 200 acres on my little tree farm up in Vermont. And insofar as congressional pay raises will never go through I suddenly realized that I can now go back there and make $800,000 on that tree farm. If it works, Mr. Whatley, I'll cut you in on half the first year. [Laughter.]

Mr. WHATLEY. Thank you. Thank you, very much. [Laughter.]

The CHAIRMAN. So far I've done a much better job having losses on that tree farm than profits.

Senator FOWLER. I think you've already violated ethics rules of the Senate by that suggestion. [Laughter.]

The CHAIRMAN. Go ahead sir.

STATEMENT OF BOOKER T. WHATLEY, RESEARCHER, MONTGOMERY, AL

BACKGROUND

Mr. WHATLEY. Mr. Chairman, members of the committee, my name is Booker Whatley, and I'm from Montgomery, Alabama. I'm honored and thankful for the opportunity to appear before you today representing horticulture on behalf of the small farmer. I would like to make a brief statement and submit a detailed statement for the record.

I've written a book on a small farm concept and plan, "How To Make $100,000 Farming 25 Acres." I would be delighted to present each of you autographed copies. I'm also presenting a copy of the "Old Farmer's Almanac" and the article to read is on page 168, and that's probably the oldest Farmer's Almanac in this country.

THE AMERICAN SMALL FARM

In this briefing I will address the American small farm. There are details to support my statements in my written testimony.

We consider and recognize three categories of farms in this country—small farm 10 to 200 acres; family farms from 100 to 1,000 acres; and large farms above 1,000 acres.

This country can and should support all three categories, and neither should feel threatened by the others. Our press for the most part recognizes only family farms and large farms.

We are attempting to save 100,000 small, diversified, and economically viable farms by the year 2000. This is the group of farmers that the USDA and the land-grant college system told to "get bigger or get out." We are telling small farmers across this country to "stay small and get smart."

HORTICULTURE

In Alabama horticulture is the fastest growing agricultural industry. The recent natural resources report alleges intolerable risks, pesticides in our children's food. Organic, biological, nontoxic farming, contamination-free fruits, vegetables, nuts, water, milk, and meats are going to come of age.

Mr. Chairman, we must enlighten the American public. A workable definition and standard applied nationally appraising all of the risks and benefits accruing to the use of all methods of farming, large and small.

Mr. Chairman, I recommend that this committee address, and the 1990 farm bill reflect, the standard definitions and certifications for food products produced with or without chemical fertilizer and pesticides.

Thank you for your attention.

[The prepared statement and attachments of Mr. Whatley appear at the conclusion of the hearing.]

The CHAIRMAN. Thank you, very much Mr. Whatley. I appreciate that, and I will read the book. I will read it with interest.

Mr. McCord, we are delighted to have you here from Auburn University. Please feel free to go ahead.

STATEMENT OF WARREN McCORD, STATE LEADER FOR COMMUNITY RESOURCE DEVELOPMENT, ALABAMA COOPERATIVE EXTENSION SERVICE, AUBURN UNIVERSITY, AUBURN, AL

Mr. McCORD. Thank you, Senator.

DEVELOPMENTAL POLICIES

Although Alabama has a significant agricultural economy, it has many people who are greatly affected by rural development policies and programs as those directly affected agriculture policies and programs. The South has both agriculture problems and potentials and rural nonfarm problems and potentials. Both are related, but also independent of each other. Solving the problems of agriculture will not necessarily solve the problems of rural America. Agriculture policies and programs must be designed with their impacts on rural communities as well as the farm economy in mind. What is needed is comprehensive agriculture and rural development policies and programs that not only ensures that rural America has a competitive and dynamic agriculture and forestry economy, but ones that ensure economic diversification and quality of life of rural communities. This is a long-term objective.

AGRICULTURE COMMITTEE SHOULD TAKE THE LEAD IN RURAL DEVELOPMENT POLICY

You may ask, is the Agriculture Committee the committee to address the task? Although some of the solutions may relate to other committees, the uniqueness of the rural socioeconomic situation and the interrelationships between agriculture and rural communities strongly suggest that the Agriculture Committee should take the lead in rural development policy development and place strong expectations on the Department of Agriculture and implement that policy in Federal Government.

COMMUNITIES HAVE PROBLEMS

Of Alabama's approximately 4 million people, some 2 million, or almost half of them, live in towns below 10,000 in population, rural counties in unincorporated places. And these communities have problems. The rural problems have been compounded by the restructuring of agriculture without rural areas having an infrastructure sufficient to attract alternative economic enterprises. This has lead to the underdevelopment of human and natural resources, unemployment, human suffering, economic stagnation, and population decline. Rural population decline, I might add, contributes to urban problems, because it is to the larger cities and towns that these unemployed, and often untrained people flee.

We could quote a litany of specifics of rural problems, but you probably can quote those better than I.

WHAT CAN WE DO?

What, then, can be done? Many of the rural problems are local problems and must be dealt with at the local level. However, the causes to some of them are statewide, regional, national, or even global, and the responsibility to deal with them must be shared by State and Federal governments. Likewise, they also have national implications and must have policy guidance, financial resources, and technical assistance, from State and Federal levels.

FIVE RECOMMENDATIONS

The first recommendation I would make is that you examine existing programs and fund those that have the greatest impact on rural problems. Since many of the rural problems stated have been in existence for many years, it would be tempting to create new agencies and institutions to address them. However, before you do that, I strongly recommend that you examine what initiatives are being undertaken in existing agencies to improve their impact on these problems or what redirections can take place if resources and/or policy guidance is provided to these existing agencies and organizations.

The land-grant university experiment station research and extension system provides the Federal Government an effective and efficient mechanism to provide education, technical assistance, and research in areas of national priority.

And as you know, the land-grant extension and experiment station research system is undergoing considerable redirection at the local, State, and national levels in order to be more comprehensive in its treatment of rural problems and issues. Therefore, the land-grant extension and research system should be considered a critical, efficient, effective ingredient for agriculture and rural development as you write rural and farm legislation.

A second recommendation would be to develop policies that encourage multijurisdictional approaches to problem solving. Rural communities do not have the resources nor the capacity to develop programs to solve rural infrastructure and economic development problems when they act alone. However, several rural communities and/or counties, working cooperatively, particularly with a growth center, have a greater probability of developing a solution.

Third, consider funding existing programs—and I underline existing programs—of loans and guaranteed loans to provide financial support for the development of basic infrastructure in rural areas, particularly sewage disposal systems, expanded water systems, solid waste systems, and roads.

Fourth, support the development of a linked health care system that provides access to specializations at higher levels in the system while ensuring that minimum health care facilities are maintained in rural areas.

And lastly, stimulate revolving loan funds for rural business and industry capital formation, particularly agribusiness and value-added enterprises.

Thank you very much.

[The prepared statement of Mr. McCord appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. McCord.

Mr. Brown, we are delighted to have you here and have Tuskegee and its proud tradition represented. Go ahead, sir.

STATEMENT OF P.W. BROWN, ASSOCIATE DEAN FOR THE COOPERATIVE EXTENSION PROGRAM, TUSKEGEE UNIVERSITY, TUSKEGEE, AL

Mr. BROWN. Thank you, Chairman Leahy, Senator Heflin, Senator Fowler staff members of the Senate Agriculture Committee, ladies and gentleman. As the chairman said I am Philip Washington Brown, associate dean for extension at Tuskegee University. And I am also serving as chairman of the Alabama Rural Development Council. I am extremely pleased to have been asked to appear before you today.

My comments will be centered around two major issues, namely rural development and alternative agricultural opportunities.

RURAL DEVELOPMENT

First, I will address the area of rural development. From its inception, Tuskegee University has been involved in rural development. In 1881 Booker T. Washington founded Tuskegee University and encouraged the students to return to their generally impoverished rural communities to help the less fortunate. This philosophy of helping people to help themselves consequently led to Tuskegee University to pioneer the Nation's first university related conference in 1892, the Jessup Wagon—the first of four movable schools-on-wheels and ultimately, the first cooperative extension agent, Thomas M. Campbell in 1906. Today, the mission to reach the unreached is still a commitment of the Tuskegee University Cooperative Extension Program.

Rural Alabama continues to face critical times which are associated with the loss of jobs, a lagging farm economy, loss in rural population, loss of leadership, inadequate housing, inadequate tax base to support education and other basic rural community needs.

In an effort to improve rural Alabama, it is not only in the best interest of those who live there but is in the best interest of the entire State, region, and Nation. Not only rural Alabama, but rural America is responsible for the production of food, fiber, and forest products as well as the stewardship of most of the land and water resource base.

Our extension staff continues to address the concerns of rural Alabama through our educational programs. We are aware of the fact that our education program is not the only solution to rural problems, however, we provide training in leadership development, management, marketing, coping with transition, decisionmaking, and understanding natural resources. Our staff assists communities in understanding how forces outside the community affect their own situation. The research being conducted at Tuskegee University enables our extension program to provide basic information and assist the community in conducting self-assessments that will show them the trends that will work and how such trends tie into the State as well as the national changes.

ALTERNATIVE USES OF RURAL RESOURCES

Our cooperative extension system will assist communities in finding alternative uses for rural resources. Emphasis will be placed on diversifying the rural economic base, increasing the value added to products locally and developing new sources of employment and income.

Potential impact of these activities will mean—rural leaders and the public and private sector will have a greater capacity to establish comprehensive community economic development action programs; and rural Alabamians will be better prepared to shoulder the responsibility for revitalization of their local areas.

ALTERNATIVE AGRICULTURAL OPPORTUNITIES

Now, I would like to make a few comments relative to the alternative agricultural opportunities. Alabama farmers may need to consider moving away from overconcentration in a few major crop and animal products and practices. Many local economies cannot offer adequate alternatives to displaced farmers and can ill afford the job losses that come with outmigration. Consequently, farm and small town youth must consider new approaches to family objectives, jobs, and education.

Farmers who could benefit by changing their operation may have several options, such as: to diversify practice and/or products; to convert to another enterprise—either a traditional crop or an alternative; to add value to products through enterprises such as on-farm processing; and to seek off-farm employment.

It is impossible for many rural families to earn enough income from traditional agricultural enterprises. They need help to analyze and evaluate nonfarm employment alternatives and to integrate these opportunities with their traditional livelihood. Our extension system will assist farm families and farmworkers to seek and obtain off-farm employment to supplement their farm income; to assist farmers and farmworkers to analyze and evaluate career options and requirements and the implications of employment choices upon other aspects of their lives.

The potential impact of these activities could mean—Alabama farm families can effectively and efficiently integrate the requirements of alternative or traditional agricultural enterprises. Farmers will increase profitability through alternative marketing strategies developed as a result of improved marketing skills and analysis of domestic and international markets. Farm operators will utilize new skills and processes to evaluate the production and market potential of alternative agricultural products.

Mr. Chairman and members of the committee, as partners of the cooperative extension system, we solicit your full support for legislation and appropriation that will aid in the revitalizing of rural America and aid in implementing alternative agricultural opportunities for American farm families. Please be assured that the cooperative extension system, which is the educational arm of the U.S. Department of Agriculture, will continue to meet these challenges in the years ahead.

Thank you.

[The prepared statement of Mr. Brown appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Brown.

And Mr. Gibbs, executive vice president of the Alabama Rural Electric Association. And on my time, not on your time, let me just interrupt a moment to say one thing. Congressman Harris, Claude Harris, wanted to be here, as did Senator Shelby, but Dick Shelby and Claude Harris, like so many of us, had to be in about 14 different places at once.

They asked me if they could submit written testimony. They feel it is a very important subject for Alabama. And of course, I want to hear the views of both Congressman Harris and Senator Shelby. I know them well and will rely on it.

If the committee has no objection, we will hold the record open, and include Congressman Harris and Senator Shelby's testimony as part of the official hearing record of this committee.

[See pages 4 to 5 for the prepared statements of Senator Shelby and Congressman Harris.]

The CHAIRMAN. Incidentally, each one of you will get a copy of your testimony to add anything to it or—as often happens to me, about the time I get home, I say, darn it, why did I not say such and so. And if such and so is not too long, we will let you add that into the record.

The most important thing is that it is the overall hearing record that forms part of the nucleus of what and how we put together the farm bill. So when you receive—I mentioned this to all the other panelists who were here—when you receive your hearing transcript, if you see something that you think you should have added or you would like to emphasize, some new statistic that has come to mind, feel free to add it to the record. It will all be part of the record we use, part of what we use to defend the farm bill on the floor, which is sometimes a week or so of intense debate on the floor. We refer over and over again to the hearing record.

That and the fact that I think we have one of the finest staffs, on both the Republican and Democratic side, many of whom are represented here today. It helps them in putting material together.

Now we have Mr. Gibbs. Let me return to you and the Alabama Rural Electric Association.

STATEMENT OF DAIL D. GIBBS, EXECUTIVE VICE PRESIDENT, ALABAMA RURAL ELECTRIC ASSOCIATION, MONTGOMERY, AL

Mr. GIBBS. Thank you, Mr. Chairman and members of the committee. I am Dail Gibbs, the executive vice president of the Alabama Rural Electric Association. We are located in Montgomery, Alabama.

I appreciate this opportunity on behalf of the Alabama Rural Electric Association to appear before this committee, and I have filed a statement with the committee and would like to make a brief summary.

Mr. Chairman, the rural electric cooperative leadership would not like it if I did not add to this coronation of Senator Heflin. Senator Heflin, first as our sitting Senator and chairman of the Senate Agriculture's Subcommittee on Rural Development and Rural Electrification. We extend to you our deepest gratitude. I feel if it had not been for you and members of the Senate Agriculture Committee, in my opinion we would have lost REA at some point in the past 8 years.

CONTINUATION OF REA IS VITAL

We think the continuation of REA is vital to the economic development, rural development, of our rural areas. In Alabama we have 22 distribution cooperatives, 1 generation transmission cooperative, serving approximately 70 percent of the land mass in our State. We are located in 59 of the 67 counties and serve a little over 1 million people, roughly one-fourth of the population of our State.

It is a tough job to provide electricity to these rural areas with the quality of service, competitive rates, of our neighboring utilities. The some 1,900 employees and 200 directors take a great deal of pride in the job that we have done and are doing with the help of REA.

10-MAN ECONOMIC DEVELOPMENT UNIT

Senator Heflin, we commend you for your leadership in getting Congress to support a 10-man economic development unit within REA to help our employees and directors, giving us technical guidance. We have the desire. We like to think that we have some capable professional people, but we still need technical assistance that this legislation would give us.

NOT IMPLEMENTED BY THE REAGAN ADMINISTRATION

We are disappointed that this was not implemented by the Reagan administration. I suggest that any rural development bill passed by this committee should mandate that such unit would be a permanent part of the REA Act.

MORE THAN PROVIDING ELECTRIC SERVICE

We are doing some things already in developing our rural areas besides simply providing electric service. Some of our cooperatives are involved in rural water systems, rural satellite television service, assisting the rural fire departments, furnishing satellites to rural schools, but we can do more and we want to do more. Some of our cooperatives are involved in health fairs.

VITAL FOR COOPERATIVES TO FULLY PARTICIPATE IN LOCAL DEVELOPMENT

In many areas rural electric systems are one of only a few organizations with the institutional strength and professional staff capable of making a major contribution to the economic development of their community. It is vital that these cooperatives fully participate in local development alliances. I firmly believe that all of the rural organizations have something to contribute and must work together if rural areas are to share in the growth and economic opportunity enjoyed by many in our metropolitan areas.

Development is simply more difficult to achieve in rural areas. It usually does not happen as it might in some of the cities. Rural areas cannot afford to not have their rural electric cooperatives involved in working as a coalition with other groups to promote local rural development.

Again, we thank you for the time you have allowed us.

[The prepared statement of Mr. Gibbs appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. And I appreciate it.

I might point out that both my wife and I—she just took a good picture of you—we live in a home in Vermont that is hooked up to a rural electric system. We live in a part of Vermont that has been helped greatly by that system.

In a little State like ours, with one-half million people, we have about a 2 percent unemployment rate. In fact, if it was not for the fact that we could bring in people from adjoining States, we would not even be able to fill all the jobs available. If it had not been for Rural Electric, a lot of those places would not have jobs, would not have industry, and would not have many other things.

Mr. Powell, I am delighted to have you here, a horticulturist from Auburn. Go ahead, sir.

STATEMENT OF ARLIE POWELL, HORTICULTURIST, AUBURN, AL

Mr. POWELL. Mr. Chairman, Senator Heflin, Senator Fowler, I am Arlie Powell, horticulturist at Auburn University. I appreciate the opportunity to give testimony today in support of the federally funded agricultural weather programs in the Southeast and nationally.

AGRICULTURAL WEATHER INFORMATION IS ESSENTIAL

The availability of agricultural weather information is essential to the vitality and profitability of America's farming communities. Clearly, the weather related problems of agriculture as late as the eighties demonstrates this point. Farmers cannot control the weather, but with proper assistance, they can do something about it through making better management decisions.

In developing the 1985 farm bill, Congress clearly established the importance of the Federal Government's responsibility in providing weather services to American farmers. It is our feeling that the policy of Congress expressed in the 1985 farm bill should be incorporated into the 1990 farm bill.

However, despite the intent of Congress in the 1985 farm bill, the policy regarding ag weather needs greater strength, it needs to have a clear definition of the agencies involved and the role of each in implementing this policy. Because the purpose of this hearing is to decide what should be included in the 1990 farm bill that is a real opportunity for Congress to decide on agency involvement, responsibilities, and specific funding for ag weather information programs.

Mr. Chairman, this Senate hearing comes at a time when there are major changes on the horizon. in the structure, function, and funding of the National Weather Service. I call your attention to the recently published plan for reworking the National Weather Service. This plan in its present form totally eliminates the federally funded agricultural weather program and many of offices providing this service.

In order for any progress to be made in providing agricultural weather information to producers, Congress must restore this program in the National Weather Service.

TEAM EFFORT IS NEEDED

Because of the complexity of farming today, a team effort is needed in essentially all areas to maximize and maintain profitability of agricultural operations. When meteorologists team up with horticulturists, agronomists, and other professionals in agriculture to develop worthwhile weather programs, the ultimate beneficiaries are farmers and consumers. Such a program allows farmers to maintain profitability while providing consumers with products of the highest quality.

An excellent example of such a team effort is the Alabama agricultural weather program developed in early 1987 and updated several times since. This program is a joint effort between the Southeastern Ag Weather Service Center of the National Weather Service, and the Alabama Cooperative Extension Service, both of which are headquartered at Auburn University.

This program allows weather information to be transferred from the Southeastern Ag Weather Service Center's main computer to the Alabama Extension Service's on-campus computer which is in turn connected to all 67 county extension offices. County extension agents are able to retrieve important weather information via their personal computers. Growers are able to obtain detailed localized weather information to help them make decisions concerning crop protection and management.

FREEZE ALERT INFORMATION

Freeze alert information through this program has proven invaluable in the past three seasons. The Alabama program has received several State and national awards. This is the most comprehensive ag weather information system in operational use today. To date, this program has helped horticultural producers in Alabama save several million dollars in crops that could have been lost to freezes.

FUNDS ARE NEEDED TO REPLACE OUTDATED COMPUTERS

Funds are presently needed to replace the outdated computers used to operate the system. A proposal to upgrade Alabama's ag weather program is included in my written testimony. Such an enhanced program would serve as a prototype for the rest of the Nation.

However, Mr. Chairman, if the ag weather service centers are removed from the National Weather Service, Alabama will lose its program as will all other States. Funding for the four ag weather service centers and the rest of the national as weather service program amounts to $1½ million. If Congress does not provide the funding, other methods of raising financing should be explored before abandoning such a valuable service to agriculture.

Establishing an ag weather trust fund would be a possibility similar to the aviation trust fund used by the airline industry.

Mr. Chairman, thank you for the opportunity to present this information on the importance of the ag weather programs to our Nation's farmers.

[The prepared statement of Mr. Powell appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

And what about—there is one other witness—Larry Lee. I did not mean to leave you out. Mr. Lee.

STATEMENT OF LARRY G. LEE, EXECUTIVE DIRECTOR, SOUTHEAST ALABAMA REGIONAL PLANNING & DEVELOPMENT COMMISSION, DOTHAN, AL

Mr. LEE. In the interest of time—I know you are all supposed to be in the Delta by 3 o'clock—I will just submit my written testimony and echo what Warren McCord has said.

We are delighted that you are down here in Alabama. Welcome to South Alabama. I am with the Southeast Alabama Regional Planning & Development Commission, an agency that covers seven counties in Alabama's Wiregrass region. And we have a proven record of delivering economic development. We are excited about your taking on the cause of economic development. And we will do whatever we can to assist.

[The prepared statement of Mr. Lee appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Lee.

I must tell you, I am delighted to be here. And coming from a rural State, I find so many things that we all have in common as people living in rural America. One thing we do not have in common is the snow we got 2 days ago in Vermont. I must admit—it would probably be heresy to say so back home—but I kind of enjoy this warm weather.

Senator FOWLER. Mr. Whatley, I read your article in the "Farmer's Almanac" here.

Mr. WHATLEY. Thank you, thank you.

Senator FOWLER. I just wish the Government and all would follow some of your guru 10 points. We would not have quite the deficit that we have right now.

What are your 10 crops? What 10 crops are you growing?

Mr. WHATLEY. Well, it varies. This is a national plan, but it varies all over the country. But we——

Senator FOWLER. No, I am talking about on your farm. Are you a well-financed author man and quit farming?

Mr. WHATLEY. I have quit farming, sir.

Senator FOWLER. I wish you had not told me that.

No, no, what are you doing now? Are you selling——

Mr. WHATLEY. Well I am a retired professor from Tuskegee Institute. I promote my book. We publish a small farming technical newsletter. And I am agricultural adviser to Domino Pizza in Ann Arbor, Michigan.

Senator FOWLER. Have you had any rethinking of your clientele membership club? Or do you still think small farmers will be able to get people to come to the land sale?

Mr. WHATLEY. I very definitely still think the small farmer can get the members, clients, to come to the farm, yes.

Senator FOWLER. Well, I commend you for your work. And I hope—not telling, but I hope all of agricultural extension services will read it. I will be your missionary in Georgia.

Mr. WHATLEY. Thank you.

Senator FOWLER. You do not mind having a missionary, do you?

Mr. WHATLEY. Not at all.

Senator FOWLER. Especially if we, the chairman and the Senator from Alabama, in working on rural development and following what the testimonies we have had this morning, if we are going to be successful in teaching our colleagues who live off the land though they do not sometimes remember it, in having some real rural development planks that will bring some prosperity to the countryside after so many years of neglect. It is this kind of creative thinking that might help us turn some things around.

Mr. WHATLEY. Thank you.

Senator FOWLER. And to my friends from the co-ops and the electrics, I want to say we still have some people in the administration in Washington that think your work is over with. I remember when my granddaddy got the first drop in his house in Warrenton, Georgia, population 1,500. We have had some real fights, as you know, as budget decisions and past administrations trying to eliminate all of the REA and most of the co-ops across the country. But we have been successful and continue to be successful in making the case of how important your work is again if we are going to do what we would like to see done in rural America.

So I thank you, Mr. Gibbs, Mr. Powell, and the whole panel for being so patient and being with us.

The CHAIRMAN. One of the things I point out to people in Rural Electric is that we often hear discussions that we no longer need Rural Electric, and the talk usually comes from people who either live in apartment buildings, apartment complexes, or places where houses are just a couple feet apart. I remind them that it is a little bit different when people are separated by many miles.

But we as a nation want to offer some of the very same things to everybody. I might say that that is one of the main reasons for having the rural development panel. We will have major components of rural development legislation this year. We have a rural development task force meeting in the first part of May.

One of the things that we who serve on this committee try to point out to the rest of the Nation, is that agriculture alone does not constitute rural America. It is a very important part of it, but we have a wide range of other things in rural America.

The ability to have housing, job opportunities, electricity, water, health care, and education for our youngsters, all that is important. We should not have two Americas, one urban, one rural. We should not have children who live in rural America, and love rural America and have their roots there, that they have to think once they become adults they must leave rural America to find jobs.

Those of us who have a deep-rooted sense of the values of rural America have to make sure for the next generation that there is a rural America that can hold them if they wish to, that can give them opportunities if they wish to stay.

I thank you all very much.

Do you have anything you want to add to this, Senator Heflin?

Senator HEFLIN. Well, I think it has been excellent testimony on the rural development, but there needs to be much more emphasis and much funding of the rural development program. We have seen a diminishment of it in the last several years. And to me we have many, many problems, particularly growing problems with rural health, rural hospitals closing, infant mortality, all sorts of problems that are there. We have problems with water. And we need to review these and revise these in many, many ways.

The whole area of rural development in my judgment ought to have a much higher priority than it has had.

The CHAIRMAN. Well, I thank you all very, very much. And I wonder if Mr. Fifield can come forward and moderate our open mike to the extent that we have time.

OPEN MICROPHONE TESTIMONY

Mr. FIFIELD. We have three names, and I think we have a couple of other people that would like to come to the microphone. The first name is Robert Weil. I think he has already had an opportunity to speak. James Lowe is second.

Is James still here? I do not see him.

Carter Sanders I know has had to leave.

Is there anyone else in the audience that would like to make a statement?

The CHAIRMAN. Could I mention one thing. If there is anyone who wants to testify, please feel free to come forward. If there is not, those who had to miss the hearing, I suggest you do this—Dick, maybe we can get this word on back to these folks. But if they would try to get just one idea, if they could get one idea across to the Senate Agriculture Committee and the chairman, drop us a line. Not only will it be included in the record, I will read it personally.

But that is really the most important part of the open mike, that if you want to leave us with just one thought, one point, what is it? If anybody wishes to step forward, please do.

Mr. FIFIELD. Yes, if anyone would like to come forward.

I would like to say, Mr. Chairman, that there are several people that have already submitted prepared testimony. And if anyone would like to speak—Parker Grey Mount would like to speak.

The CHAIRMAN. Please give your name. Give your name and your address so we will have it for the record.

STATEMENT OF PARKER GREY MOUNT, MATHEWS, AL

Mr. MOUNT. I am not going to take a lot of your time.

My name is Parker Mount. I live in Montgomery County. And I just want to readdress what Mr. James alluded to relative to particularly the forestry industry, but all facets of farming in that we desperately as farmers, cattlemen, soybean people, cotton or whatever, we need capital gains treatment back in the worst sort of way.

And I know that you all are working on this. And we appreciate it. But we just feel like we have to keep squeaking because maybe we will get a little grease.

And relative to the CRP and the forestry program and the FIP program, one of the greatest things you can do to bolster this certainly is to get capital gains back.

We appreciate you being here. It has been a pleasure. And I appreciate your listening to me.

Thank you.

The CHAIRMAN. Thank you very much. Could you just spell your last name please.

Mr. MOUNT. Mount, M-O-U-N-T.

The CHAIRMAN. And the address again?

Mr. MOUNT. Route 1, Mathews, Alabama.

The CHAIRMAN. Thank you.

Anybody else?

Mr. FIFIELD. Anyone else that would like to have the microphone? An idea, a thought?

The CHAIRMAN. Let me tell you, that was more effective than a 20 minute speech about capital gains right there. That is the sort of thing we listen to and we remember.

Mr. FIFIELD. Anyone else?

[No response.]

The CHAIRMAN. Well, if that is the case then, ladies and gentlemen——

Senator HEFLIN. We have Dr. Hicks back here. He is an otolaryngologist and also is a horticulturist and a few other things. Doctor, do you have something you want to tell us?

Dr. HICKS. We appreciate you coming.

The CHAIRMAN. He gave me an earful last night I want you to know. And I appreciate it. It is nice to see him again.

Dr. HICKS. If there is anything better than him, it would be Alabama.

The CHAIRMAN. Well, ladies and gentlemen, I want to thank you very much. I want to thank you for your hospitality. I want to thank the owners of this fine farm for having us here. We will try not to disrupt you this much again. But I really appreciate you giving me a chance to hold a hearing in a place that I feel very, very comfortable in. I will invite you to come by sometime when you are up in Washington. We will get a picture taken in the Senate Agriculture Committee. But I think once you see it, pretty as it is, you will still feel more comfortable here. I do.

Thank you all very much.

[Whereupon, at 12:11 p.m., the committee recessed, to reconvene at 3:22 p.m., Monday, April 24, 1989, Delta State University, Cleveland, MS.]

[Material submitted for inclusion in the record follows:]

APPENDIX

PREPARED STATEMENT OF ALBERT MCDONALD, COMMISSIONER, ALABAMA DEPARTMENT OF AGRICULTURE AND INDUSTRIES, MONTGOMERY, AL

Chairman Leahy and distinguished members of this committee, I would like to welcome you to Montgomery, Alabama. I am pleased that you chose to come here today to hear testimony and receive the views of your constituents on issues of importance to agriculture. As you hear testimony today, I ask you to bear in mind that agriculture is the backbone of this Nation. When agriculture is adversely impacted, so too is the economy, the food supply and the quality of life in this Nation.

I would like to thank the members of this committee and all Members of Congress for the past year's work in support of agriculture. Specifically, I refer to the passage and enactment of the drought relief legislation package of 1988. The structure and intent of this legislation gave immediate assistance to those farmers who suffered drought-related losses. It is prompt and effective legislation such as this that I whole-heartedly support.

I also would like to thank you for your support this past year of a Federal grant exceeding $110,000 which enabled the implementation of the Alabama Agricultural Loan Mediation Program. Because of this funding, the program has been able to assist farmers and lenders in resolving financial conflicts. It is indeed a worthwhile program and one which I would like continued.

Farmers also have benefited under the provisions of Federal farm programs that essentially act as a compromise between free and open trade and Federal limitations on crop production. Such legislation gives the Secretary of Agriculture discretionary powers in managing commodity supplies, implementing crop production limitations and instituting conservation management programs. While controversies may still linger over cost and benefits, I believe it is still the most practical approach to effective farm legislation at the present time and has proven to be the best program to date for Alabama agriculture. I would certainly support a continuation of this type of program in the years to come.

As you address future farm legislation, I would encourage you to continue to recognize that it is important to the livelihood of our State's and Nation's farmers that they receive a fair market price for their commodities. Farm price supports are necessary to help ensure a decent pricing structure. If Federal funds to the price-support program must be reduced, I offer this counsel: commodity price-support levels should not be cut. Instead, if necessary, I would recommend a reduction in the number of farm acres under the support program. Such a system, I believe, would manage the supply of commodities in the program and, at the same time, would shore up the prices received by farmers.

Of course, the ideal situation, and one which I personally support, would be a continuation of farm programs as outlined in the 1985 farm bill. I believe this legislation has been both cost-effective and beneficial to farmers and should be continued.

Let me at this point express my concern with the ongoing negotiations by the General Agreement on Tariffs and Trade (GATT) in Geneva.

As I previously stated, present Federal agricultural programs have proven successful for U.S. agriculture. We should not forfeit these programs in the name of free trade, only to allow other nations to obtain greater trade advantages than they now have.

My concern during the GATT negotiations is that the United States not "throw out the baby with the bath water" in developing a global trade package. We should not sacrifice any of the production and trade benefits our farmers and agribusinesses may currently have in an effort to end foreign agricultural subsidies.

On a different tack, I would like to address my comments now to the subject of environmental issues facing agriculture. Particularly, I would like to comment on Federal regulatory requirements concerning pesticide residues on farm crops; ground water contamination; farmworker safety; and endangered species.

The recent "scare" pertaining to Alar residues on apples brought to light the necessity of a uniform position on issues concerning health and safety to be shared by the Federal Environmental Protection Agency, the U.S. Department of Agriculture and the Food and Drug Administration. I believe that these regulatory agencies which comingle in agriculture and consumer protection could speak with a united voice. It does not do for one agency to issue regulations on one side of an issue when another agency has opposing views.

These agencies should be commended for not succumbing to outside pressures and mandating "knee-jerk" reactions to pacify a vocal minority. I would recommend congressional-mandated requirements that these agencies consistently work together in this realm.

The Alabama Department of Agriculture and Industries is working closely with the Alabama Department of Environmental Management in initiating a federally mandated ground water monitoring program. This is an expensive program and would be cost prohibitive for the State to carry to completion. Federal funds will be required if this program is to be fully implemented.

Regarding farmworker safety from pesticides, there appears to be conflict regarding requirements and enforcement. The Occupational Safety and Health Administration exempts smaller farm operations, where 10 or fewer workers are employed, from compliance. The proposed Federal Worker Protection Standards for Agricultural Pesticides has no such exemption.

I urge you to take action to resolve such conflicts. I also urge you to take into consideration the full ramifications of such policies and the impact on individual farmers and agriculture as an industry before implementing further Federal requirements. Remember that, in all likelihood, much of the cost of these policies will eventually rest on the backs of the farmers—those who can least afford the added expense.

Finally, I would like to mention the Endangered Species Protection Program and its impact on agriculture. This program implementation must be broad in scope and allow flexibility so that our farmers and ranchers may continue to operate. It should encourage voluntary compliance and include federally funded educational programs to educate our farmers in how to implement cultural practices that would allow endangered species to coexist with agriculture.

I would hate to see the American farmer be added to the list of endangered species as strict and cost-prohibitive policies and regulations drive farmers out of business.

Aside from environmental issues, I would like to call your attention to a livestock disease control program.

The national Brucellosis Eradication Program, in which Alabama cattle and swine producers are active participants, has been highly successful. We have made considerable progress in Alabama, having reduced the incidence of brucellosis and having received Class A status from the U.S. Department of Agriculture. If brucellosis is to be totally eliminated, however, continued Federal support is mandatory. Therefore, I urge your continued support of an effective national brucellosis program to achieve eradication as soon as possible.

In conclusion, I would like to say that the aforementioned issues are complex. It will require an understanding Congress to deal effectively with these issues. I encourage this committee to strive to understand the unique problems faced by agriculture in dealing with the entire range of animal health policies, environmental issues, trade restrictions and farm policy. I hope you, as leaders, will chart a course that we in agriculture will be able to follow.

Thank you.

PREPARED STATEMENT OF BILL JOHNSON, CATTLE FARM OPERATOR AND REPRESENTING THE ALABAMA CATTLEMEN'S ASSOCIATION, MONTGOMERY, AL

Chairman Leahy, Senator Pryor, Senator Heflin, Ag Committee staff, ladies and gentlemen. Welcome to Snowdoun, Alabama Senator Leahy, we really appreciate you bringing the U.S. Senate Ag Committee out to the country where we producers have an opportunity to participate in the legislative process.

My name is Bill Johnson and I own and operate a cattle farm just over the hill north of here. I run 150 head of registered Red Brangus cattle along with a commercial cow-calf program. I live on the farm with my wife and two young sons. We are dependent upon cattle as our primary source of income. I was born and raised on a cattle farm where my father also served 38 years as a county agent with the Auburn University Cooperative Extension Service.

It is indeed a real privilege for me to have this opportunity to testify before the U.S. Senate Ag Committee field hearing. This committee's work is very important to me, to all farmers and cattle producers in the Nation, and to consumers all over the world. I would like to thank you for coming to Alabama; and especially to my community, for this hearing.

In addition to speaking on my behalf, I also represent the 16,155 members of the Alabama Cattlemen's Association where I serve as first vice president. On their behalf, I welcome you to Alabama where beef cattle is a major part of agriculture. Last year we sold nearly $500 million worth of cattle. As of January 1, the value of the State's cattle inventory stood at a record high of $864 million. According to the Alabama Agricultural Statistics Service, we had 1.8 million head of cattle on January 1 which included 900,000 beef cows. This ranks us 14th in the Nation in brood cow numbers.

The beef cattle industry, as you know, does not have any direct price support or government subsidiaries. The price I receive for my calves each year is based on supply and demand and we want to keep it that way. The cattle industry, after suffering financially for the half of the 1980's, has had several years of profitable prices. We, and our lenders, certainly hope this positive price situation continues. We feel that the 1985 farm bill is working quite well and has played an important part in bringing the beef cattle industry out of the financial depression.

As you begin work on the 1990 farm bill, one of our major concerns is that when developing programs to help one commodity, you do not implement actions that will have a negative impact on the beef cattle industry. Our industry is directly affected by several major farm programs such as the grain price support levels, dairy herd buyouts, haying and grazing provisions, conservation programs, and rural development efforts. The dairy herd buyout of 2 years ago is an example of how a program designed to help one commodity can hurt our industry.

The animal health programs you fund also impact the cattle industry. Alabama, during the past decade, has made great strides toward eradicating two costly cattle diseases. We thank you for your assistance in this significant accomplishment. Also, we appreciate the effective work of the USDA and the State Department of Agriculture. Brucellosis, which only a short time ago cost our industry millions of dollars each year, is now nearly eliminated. Alabama finally reached the Class A status last year. Two months ago, at our 44th annual Alabama Cattlemen's Association convention, Alabama received its TB-free status.

However, now we need to get rid of brucellosis once and for all. We are concerned that with the low incidence of bangs, along with the increasing pressure to reduce government spending, Federal funding will dry up in the calfhood vaccination and incentive herd depopulation programs. We feel this would be very shortsighted. We strongly encourage you to be sure there is enough money in the budget for these vital programs so we can eliminate brucellosis altogether. We urge you to support efforts to provide emergency funds for indemnity payments to depopulate the few remaining infected herds in these low incidence States. This is the most effective way to eradicate the bangs disease.

We applaud your efforts to increase beef exports. Not only does this help expand our markets, but it also helps reduce our enormous trade deficient. The recent GATT agreement opening the door to the huge Japanese market is already paying dividends. We have even seen immediate results here in Alabama. On March 15, the very first shipment of fresh beef prepared to Japanese specifications left the John Morell Company facility here in Montgomery for Japan. The top quality steaks and roasts that were produced here in Alabama will be part of a major retail promotion of American products which is taking place this week. We are excited about this expansion in our market. It may well be the stimulus needed to encourage more cattle finishing here in the State. We encourage you to continue to work to strengthen our export markets; and work to prevent the State Department from interfering drastically with ag export policy.

The past 2 years have seen some extremes in the weather. The cattle industry suffered because of these two consecutive record setting droughts. On behalf of our beef cattle producers, I would like to personally thank you for the rapid way you responded to this situation. Passing the emergency feed assistance programs last year in record time really saved some cattle producers. This special assistance you made available was a deciding factor in allowing some of us to keep our herds intact and we are grateful.

Hopefully, weather patterns will return to normal and we will not need any emergency assistance in the near future. However, we certainly need this protection included in the next farm bill. A suggestion that will help us would be for USDA to update its emergency assistance polices to allow for more help in establishing temporary grazing. This would provide more feed over a longer period than a direct grain purchase, and would be considerably more economical. This is especially true across the South where temporary winter pastures are used as a commonplace management tool.

Cattlemen historically have been leaders on conservation issues as well as working to protect the environment. Pastures and stock ponds are a major factor in controlling erosion and runoff. As environmental issues become a front page headline, we hope Congress will use common sense in passing any legislation that will impact our industry. We are concerned about how laws on issues, such as ground water contamination and wetland protection, will in the end infringe on private property rights.

The pressure to protect the environment has caused the elimination on many pesticides and other chemicals that played a role in food production. Few effective substitutes—chemical or natural—have been made available. An example is with one of our real pests—the fire ant. If you are not from the Deep South and have not met this small nemesis, you will probably have that occasion today, so watch your step. I guess the Federal Government has just given up the fight and declared the tiny fire ant the winner. Hopefully this is not the case. Cattlemen all across the South encourage you to work to support programs that will help us win the war against the fire ant.

The tough economic times of the early 1980's are still taking its toll on agriculture and the family farm. We must work hard to ensure that the family farm has the opportunity to continue to be a viable part of our food production system. The availability of financing is a major problem for many family farms as lenders are still leery of any agricultural loans (unless you have a CD in the bank for 110 percent of the loan).

We have a special concern in Alabama as our Federal land bank went into receivership. The loans were recently purchased by the Texas Land Bank in Austin. From our understanding the loans were bid out and Texas got them at 80 cents on the dollar. It seems that the customer should have been allowed to purchase his own loan for the same price. The strength of agriculture is dependent upon the availability of good financing.

Although not directly under your committee, there are several other issues that greatly impacted our industry that I would like to mention. This has to do with changes in the income tax laws. As you are aware, the Tax Reform Act of 1986 had a number of "bugs" in it to say the least. The heifer tax which was repealed last year (thanks for your help) is an example. The loss of income averaging and capital gains has placed a real costly burden on our industry. We strongly encourage you to work to repeal these two parts of the Tax Code.

Also, we are very concerned about the talk that is beginning to circulate about changes in the estate tax law. We appreciate the efforts to balance the Federal budget. However, any increase in estate taxes would not be the way to accomplish this worthwhile goal. Since the cattle industry requires large land investments, we would be greatly affected by any increases in estate taxes. Please help resist any changes in this law that would increase the burden of transferring property to the next generation. I can personally attest to the hardships and unfairness in this law before it was modified in recent years.

As I close my remarks, I would like to thank you for your support in the passage of the Beef Promotion and Research Act of 1985. The industry self-help program is working quite well and is playing a major role in increasing demand for our product beef. No changes are needed in this successful program.

We really appreciate you taking time from your busy schedules to get out of Washington and bring this important hearing on the 1990 farm bill into the country. It has been a real honor for me to testify before this important committee. I wish you the very best as you begin the important task of developing the 1990 farm bill. The fruits of your efforts will touch so many of our lives.

We especially would like to thank Senator Howell Heflin for the outstanding leadership and loyal support he has given to the Ag Committee. He has been a true friend to the cattle industry and is recognized nationally for his knowledge of the complex problems that agriculture faced. We are fortunate to have him as our senior Senator and are grateful that we can benefit from his many talents and dedicated service on the Ag Committee.

Thank you again for allowing me this opportunity.

[Attachments follow:]

1989 ALABAMA BEEF CATTLE FACTS—1989 STATE RANKINGS FOR ALL CATTLE [1]

Rank State	1,000 head
1 Texas	13,700
2 Kansas	5,900
3 Nebraska	5,400
4 Oklahoma	5,200
5 Iowa	4,750
6 California	4,700
7 Missouri	4,500
8 Wisconsin	4,130
9 South Dakota	3,480
10 Minnesota	2,940
11 Colorado	2,750
12 Kentucky	2,500
13 Montana	2,350
14 Tennessee	2,300
15 Florida	2,025
16 Illinois	1,950
17 Pennsylvania	1,920
18 **ALABAMA**	1,800
19 Ohio	1,760
20 Arkansas	1,750
21 Virginia	1,670
22 Idaho	1,620
23 North Dakota	1,600
24 New York	1,584
25 Georgia	1,500
26 Mississippi	1,390
27 Oregon	1,390
28 New Mexico	1,350
29 Wyoming	1,330
30 Washington	1,300
31 Indiana	1,290
32 Michigan	1,225
33 Louisiana	1,075
34 Arizona	880
35 North Carolina	850
36 Utah	770
37 South Carolina	610
38 West Virginia	500
39 Nevada	490
40 Maryland	328
41 Vermont	297
42 Hawaii	208
43 Maine	105
44 New Jersey	75
45 Connecticut	73
46 Massachusetts	70
47 New Hampshire	55
48 Delaware	29
49 Alaska	9.2
50 Rhode Island	6
Total United States	99,484

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[1] Data from January 1, 1989 inventory figures provided by Alabama Agricultural Statistics Service.

1989 ALABAMA BEEF CATTLE FACTS—1989 STATE RANKINGS FOR BEEF BROOD COWS

Rank	State	1,000 head
1	Texas	5,445
2	Missouri	2,004
3	Oklahoma	1,893
4	Nebraska	1,697
5	South Dakota	1,506
6	Kansas	1,450
7	Montana	1,324
8	Iowa	1,265
9	Florida	1,148
10	Kentucky	1,060
11	Tennessee	1,038
12	Arkansas	932
13	California	925
14	**ALABAMA**	901
15	North Dakota	832
16	Colorado	775
17	Mississippi	712
18	Georgia	700
19	Wyoming	670
20	Virginia	663
21	Louisiana	582
22	New Mexico	578
23	Oregon	573
24	Idaho	520
25	Illinois	520
26	Minnesota	390
27	Ohio	385
28	Washington	359
29	Indiana	350
30	North Carolina	343
31	Utah	315
32	South Carolina	286
33	Arizona	263
34	West Virginia	245
35	Nevada	231
36	Pennsylvania	216
37	Wisconsin	150
38	Michigan	125
39	New York	102
40	Hawaii	77
41	Maryland	60
42	Vermont	12
43	New Jersey	11
44	Massachusetts	10
45	Maine	9
46	New Hampshire	6
47	Connecticut	5
48	Delaware	3
49	Alaska	2.5
50	Rhode Island	.8
	Total United States	33,669

1989 ALABAMA BEEF CATTLE FACTS—1989 COUNTY RANKINGS FOR ALL CATTLE [1]

Rank	County	No. head
1	Lowndes	63,500
2	Cullman	63,300

1989 ALABAMA BEEF CATTLE FACTS—1989 COUNTY RANKINGS FOR ALL CATTLE [1]—Continued

	County	No. head
3	Montgomery	58,200
4	De Kalb	51,000
5	Lauderdale	44,800
6	Morgan	42,600
7	Pike	42,200
8	Geneva	40,900
9	Marengo	40,700
10	Hale	40,200
11	Marshall	38,800
12	Dallas	38,200
13	Limestone	36,800
14	Jackson	36,200
15	Madison	36,200
16	Barbour	36,200
17	Mobile	35,500
18	Sumter	33,900
19	Blount	33,700
20	Covington	33,400
21	Lawrence	32,800
22	Houston	32,500
23	Greene	30,700
24	Chilton	30,100
25	Coffee	27,900
26	Shelby	27,500
27	Perry	27,500
28	Franklin	27,300
29	Elmore	26,700
30	Clay	26,100
31	Talledega	25,700
32	Crenshaw	25,400
33	Henry	25,400
34	Bullock	25,100
35	Winston	24,000
36	Macon	22,900
37	Colbert	22,400
38	Randolph	22,100
39	Calhoun	21,800
40	Wilcox	21,600
41	Baldwin	21,300
42	Pickens	21,000
43	Escambia	20,900
44	Tuscaloosa	20,600
45	Marion	20,200
46	Autauga	19,900
47	Etowah	19,900
48	St. Clair	19,500
49	Monroe	19,500
50	Chambers	19,100
51	Dale	18,100
52	Walker	18,100
53	Conecuh	17,200
54	Lee	17,100
55	Cherokee	15,800
56	Lamar	15,300
57	Butler	14,900
58	Tallapoosa	14,100
59	Jefferson	12,100
60	Fayette	11,600
61	Bibb	11,500
62	Russell	11,200
63	Washington	10,900

1989 ALABAMA BEEF CATTLE FACTS—1989 COUNTY RANKINGS FOR ALL CATTLE [1]—Continued

County	No. head
64 Cleburne	10,700
65 Choctaw	10,000
66 Coosa	9,000
67 Clarke	8,700

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[1] Data from January 1, 1989 inventory figures provided by Alabama Agricultural Statistics Service.

ALABAMA BEEF CATTLE INDUSTRY—ONE OF THE STATE'S BIGGEST ASSETS!

Beef cattle production is big business in Alabama representing a $2 billion industry. When one looks at the value of the cattle inventory, land utilized, financial investment and cash income, the beef cattle industry is one of the State's largest and most important industries.

CATTLE NUMBERS UP 3 PERCENT

On January 1, 1989 Alabama cattlemen owned 1,800,000 head of cattle and calves according to statistics compiled by the Alabama Agricultural Statistics Service. This is an increase of 3 percent from year earlier figures. Alabama is ranked 18th in the Nation in all cattle which is up five places from last year.

The inventory value of all cattle in the State rose to an all time high of $864 million. This is an increase of $188 million over 1988. The average value per head on January 1 was $480, which is an increase of 19 percent over last year.

The State's beef cow herd stands at 901,000 brood cows, up 26,000 from January 1, 1988. Alabama ranks 14th among the 50 States in beef cow numbers. This puts Alabama ahead of Colorado, Wyoming, New Mexico and Idaho in the West and Georgia, Mississippi, Louisiana and Virginia in the Southeast.

A COW-CALF STATE WITH POTENTIAL FOR FINISHING

Alabama cattlemen are primarily cow-calf producers with feeder calves shipped to feedlots in more than 30 States. Alabama-produced calves are in great demand by feeders because of their proven gaining ability. Today, cattle finishing on the farm is beginning to show a steady increase in Alabama. A contributing factor is that the largest major beef slaughter facility in the Southeast is now located in Alabama. Exports of Alabama beef to Japan recently has added to the interest in retaining ownership of cattle through the finishing phase here in Alabama.

A statewide network of approximately 40 livestock auction markets provides easy and ready markets for Alabama cattlemen to sell their cattle. These markets are bonded to protect cattlemen. Montgomery is one of the largest livestock market centers and shipping points in the Eastern United States.

Cattle and calf sales in 1987 totaled about $488 million, an increase of $159 million from 1986. The 1987 sales of cattle ranked second in cash receipts from the sale of Alabama commodities. Cattle producers have enjoyed 2 years of strong cattle prices enabling them to operate at a profitable level.

LOWNDES COUNTY STATS NUMBER 1!

Lowndes County kept the number one spot among the State's 67 counties in total cattle numbers as of January 1, 1989. Lowndes had a total of 69,000 head of cattle, down 3,000 head from last year.

Cullman County moved to second place in cattle numbers for the first time with 63,300 head. Montgomery County dropped to third with 58,200 cattle. Another north Alabama county, DeKalb, made a jump to 4th spot with 51,000 head on January 1.

The increase in cattle in the northern part of the State continued as Lauderdale moved to fifth place with 44,800 head and Morgan, with 42,600 cattle was ranked sixth. The next four spots were as follows: Pike, 42,200 head; Geneva, 40,900; Marengo, 40,700 and Hale, 40,200.

All of the major beef cattle breeds are represented in the State. The State breed associations include: Angus, Beefmaster, Brahman, Brangus, Charolais, Chianina, Gelbvieh, Hereford, Limousin, Polled Hereford, Red Angus, Santa Gertrudis, Shorthorn and Simmental.

The 46-year-old Alabama Cattlemen's Association is the largest State cattlemen's association in the United States, with 16,155 members belonging to the county chapters located in every one of the State's 67 counties. The association is the chief spokesman and promoter for the State's beef cattle industry, and is headquartered in a $1 million building on Capitol Hill in Montgomery.

PREPARED STATEMENT OF JIMMY ELLIOT, CATFISH FINGERLING PRODUCER, SELMA, AL

Mr. Chairman and members of the Senate Committee on Agriculture and Nutrition. My name is Jimmy Elliot and I am a catfish fingerling producer from Autauga County, Alabama, producing over 1½ million catfish fingerlings annually. I also raise beef cattle and have a Christmas tree operation. I graduated from Auburn University with a degree in building science but in 1979 decided to make agriculture my livelihood. I am very proud of that.

I appreciate the opportunity today to share with you the concerns of Alabama catfish producers in relationship to this committees beginning work on the 1990 farm bill.

Your presence here indicates to me a growing awareness that aquaculture is more vital to this State and Nation today than ever before. Aquaculture is well suited for small and larger farms for commercial production, recreation or home use. Aquaculture, I feel can take the fiscal peaks and valleys out of many farming operations by providing an additional, sometimes off-season crop, creating additional cash-flow on the farm.

Alabama's 16,000 acres of water produced around 27 million pounds of processed fish in 1988 (12 percent of the Nations total) worth $165 million to our farmers. Catfish processing provided an additional $35 million to the total aquaculture income in Alabama.

Alabama's aquaculture industry is probably the most diverse of any State in the United States. We have a comparative advantage over other States, especially Midwestern States where the grain supplies for feed are located. Alabama has a warm climate (200–250 days when the water temperature is above 60 degrees for best growth of warm water species), abundant water sources (85 percent of our ponds are filled with watershed runoff water reducing pumping cost), clay soil with good sites for pond construction, and unlimited institutional and human resources.

It is very clear that we catfish farmers have captured the industry lead in production of cultured food fish. Problems, however still remain for orderly industry development. Many problems, I feel can be overcome by providing services to aquaculture now available to other segments of the farming system.

Here in Alabama under the Livestock Dealers Financial Responsibility Act, we have changed the definition of livestock to include catfish. The Alabama Department of Conservation and Natural Resources consider the commercial farm raised catfish as an agricultural crop and not the responsibility of the Game and Fish Division. Patrons of commercial fish-out operations (pay lakes) are not required here in Alabama to have in their possession a State fish license if the fish they are catching are a farm raised species.

One of my most important concerns at this point in the evolution of the catfish industry is the development of a research base that will provide long-range support for our industry. Sound, well-supported research and extension programs will provide the key to further growth and development. To date, most effort in fish culture has been directed toward improved diets, fish health management, and water quality management. As important as they are, these disciplines deal with the environment in which fish live, and improvements and breakthroughs in these areas simply improve the environment. Breeding or genetics deal with the animal itself, and improvements in this area improve the biological potential of the fish. This is extremely important in my own fingerling operation. Fish that have a faster growth rate, greater dressing percentage, lower food conversion, less resistance to low oxygen tolerance and greater disease resistance are more economical to raise.

Disease of cultured fish have presented management problems for as long as fish have been held in confinement. It has been estimated that 10 percent of all cultural catfish are lost to infections diseases—a loss that could have been prevented, ensuring more profit for the farmer. The development or approval of therapeutic compounds to treat disease is of vital concern to this industry.

Another area that causes concern in the industry, and research can help, is the persistent problem of off-flavor. Off-flavor occurs when catfish absorb flavor compounds, produced by pond organisms that render the fish unmarketable.

Water quality and quantity is considered by most aquaculturalist to be the main problem facing our industry. We need a good source of high-quality water free of contaminats to the species grown. The competition for scarce, high-quality water supplies will place a priority on developing production technologies that minimizes water use.

We would respectfully request the continued support of the four regional aquaculture research centers in the United States administered through the Cooperative State Research Service. Although Auburn University is not a regional center, we fish farmers in Alabama could not exist without the continued support and cooperation from the Department of Fisheries and Allied Aquacultures at Auburn University.

The USDA Economic Research Service has been providing the aquaculture industry with vital statistics for some time in their Catfish Processors Report, Aquaculture Outlook and Situation Report and Aquaculture: Catfish and Trout Inventory. These reports have been absolutely priceless in their value to every single segment of the catfish industry. These reports are currently being funded through a line item budget and we would feel more comfortable if these reports were more permanently funded.

Presently there is no mandatory Federal inspection of fishery products, although some processing plants are inspected on a voluntary basis. The farm raised segment would consider endorsing a mandatory fish inspection program provided there is a fair and equitable treatment of *all* fish and seafood products.

Birds cause many costly problems at aquacultural facilities. Birds such as the cormorants, herons, egrets, gulls, kingfishers, ospreys and anhingas are voracious fish eaters, cause property damage, and can transmit diseases to our fish stock. Guarding against predation can be very costly and frustrating because a majority of these birds are legally categorized as migratory and protected under Federal and State laws. The U.S. Fish and Wildlife Service permits the Animal Control Office of USDA-APHIS (Animal Plant and Health Inspection Service) to handle losses and complaints from bird predation. Currently Alabama's animal and bird damage problems are handled by the Animal Damage Control staff based in Starkville, Mississippi and is only one of a handful of States without such an office. This office serves both Alabama and Mississippi. Although assistance has been excellent to date, coordination with various State agencies has been made difficult by the out-of-State location and the necessity of coordinating activities of two sets of State agencies. Given the value of agriculture in all its forms, forestry, and wildlife to Alabama's economy, it would seem that an Alabama office to serve Alabama's citizens would be easily justified. We would welcome this committee's assistance in the creation of an Animal Damage Control Office for Alabama.

Currently Alabama has two hatcheries that are producers of triploid (sterile) white amur, a grass carp that helps control aquatic vegetation in ponds. A growing number of States now permit the use of triploid white amur for weed control in public and private waters. However, these States first require the U.S. Fish and Wildlife Service to sample each lot of fish and certify the sample of 100 percent triploids prior to shipment.

This certification procedure is presently being provided as a free service to all triploid producers in Arkansas through the U.S. Fish and Wildlife Service's Stuttgart Research Laboratories. Although Alabama has two U.S. Fish and Wildlife facilities, the Southeastern Fish Cultural Laboratory at Marion and the Cooperative Fisheries Research Unit at Auburn, the certification service has been denied to our Alabama producers of triploid white amur. This of course, prohibits our producers from marketing their products in many States and provides an obvious and extremely unfair advantage to the Arkansas producers. I am respectively requesting that this committee pursue through proper channels solutions to ensure equal consideration and parity of service to our Alabama triploid white amur producers.

In the area of marketing and promotion, we would request that the aquaculture industry receive continued support through the Agricultural Marketing Service (AMS) and the Foreign Agricultural Marketing Service (FAS) programs.

The National Aquaculture Development Plan (NADP) is a two-volume document prepared by the Joint Subcommittee on Aquaculture (JSA) in response to P.L. 96-362, the National Aquaculture Act of 1980 which states that it is national policy "to encourage the development of Aquaculture in the U.S." This plan had been developed over an extended period of time but currently there has never been an appropriation made to fund the National Aquaculture Act of 1980, therefore, USDA has had no real mandate to do anything as far as aquaculture is concerned. It is my contention that as important as aquaculture is to this great Nation of ours that an aquaculture title be given to the 1990 farm bill to ensure a more permanently funded posture within USDA and to shift aquaculture to a bona fide agricultural commodity.

I appreciate the efforts of the Senate Committee on Agriculture and Nutrition in providing us this opportunity to express our concerns about Alabama's aquaculture industry. Thank you for your attention.

PREPARED STATEMENT OF HOYT ADAIR, PIG FARMER, MOULTON, AL

Mr. Chairman and members of the committee. My name is Hoyt Adair and I own and operate a 500 sow farrow to finish production unit. I also have an orchard and timber on a 1,000 acre farm. I am concerned that the U.S.-Canada Free-Trade Agreement does not address the issue of eliminating Canadian subsidy programs. I cannot compete with the Treasuries of other governments. In the third and fourth quarters of 1988, Canadian pork producers received subsidies of $23.53 and $37.08 (Canadian) per hog respectfully. I can't begin to tell you how even a $10 per head subsidy would help me. I am not asking for subsidies. I am asking for fair treatment from our closest trading partner.

I and all other pork producers act independent of direct Government subsidies, but I rely on the Federal Government to help against undue interferences, such as natural disasters or trade distorting practice of foreign competitors. I do not benefit from a price support program like the Canadian counterparts. Canadian producers now export about 30 percent of their domestic production with 90 percent of their pork exports destined for the U.S. prices, costing me and other American producers approximately $700 million in 1988 alone.

I have some concerns that the GATT may be adopted in a form which would allow Canadian pork producers to continue to receive as many as 28 different Federal and provincial subsidies in the short term. I am hopeful that the Canadian subsidy programs will be removed under the long-term provisions of the Uruguay round of the GATT.

Another issue that I would like to address is the Disaster Assistance Act of 1988. I want to thank you for developing drought legislation during last seasons devastating drought.

The administration of this legislation through the U.S. Department of Agriculture has been less than acceptable to me and to pork producers in Alabama. Most producers either were deemed to be ineligible for the feed assistance programs or, if they were eligible, the level of assistance provided was usually negligible.

As of February 28, 1989, only $243 million in Emergency Feed Program benefits had been distributed to all livestock producers including beef, dairy, lamb, and pork producers. In addition, only 514 million pounds of feed (which translates roughly to $25–$30 million in feed assistance) were distributed under the Emergency Feed Assistance Program. These actual outlays to livestock producers are far short of the original estimates presented to Congress. During the debate on the Disaster Assistance Act, it was estimated that approximately $800 million would be distributed annually to livestock producers in 1988 and 1989.

It is obvious that the emergency feed programs are not designed to reimburse livestock producers for their actual losses. Crop assistance payments, in contrast, are designed to reimburse crop producers for financial loss where possible. Livestock producers only receive feed assistance to provide a survival ration of feed to keep their animals alive.

Under the crop disaster assistance program, crop producers have received $2.47 billion (as of February 28, 1989). The discrepancy in treatment relegates livestock producers to the status of second class citizens.

For a full grown sow, pork producers are allocated a survival or subsistence ration of 3.3 pounds of feed per day. For swine less than 6 months old, the eligible pork producer looks forward to a ration of 2 pounds of feed per day.

I urge you to challenge the Department of Agriculture to find one pork producer anywhere that will say that 3.3 pounds of feed per day is sufficient for that 500-pound animal. Clearly, I believe that the feed ration is extremely low and in some cases possibly inhumane for animals. We ask that you work to ensure that livestock producers obtain a fair ration of feed.

Last summer, the Secretary of Agriculture announced the availability of the Emergency Feed Assistance Program based on authority provided in 1949 legislation (7 U.S.C. 1427). This authority, however, only provided assistance for cattle (including dairy cattle) sheep, and goats. It did not make provision for pork producers to be eligible for assistance for their swine. In other words, prior to last year's drought relief legislation, pork producers were not eligible for the Emergency Feed Assistance Program that allowed livestock producers to receive grain at 75 percent of the county loan rate. It appears that the Secretary of Agriculture had the authority under Public Law 86-299, September 21, 1959, 73 Stat. 574, amended Public Law 88-585, section 3, September 11, 1964, 78 Stat. 927, "to sell, at no less than the current basic county support rate . . . any wheat, corn, oats, barley, rye, or grain sorghums . . . owned by the Commodity Credit Corporation . . . to provide feed for livestock" in an emergency area. Therefore, it allowed all livestock producers, including pork producers, to be eligible for assistance at a level of 100 percent of the county loan rate.

In Alabama most of our producers do not grow their own feed. This fact disallowed our producers feed assistance under the new drought legislation. When relief was denied to these producers the excuse was it would cost $2 billion estimated by the Office of Management and Budget. The whole program for all other livestock producers amounted to an outlay of less than $300 million.

It appears that ASCS has interpreted the emergency feed programs so narrowly, that only a few pork producers are eligible. Although section 1763(a) of the 1985 farm bill, and report language included in the Disaster Act of 1988, specifically state that feed must be suitable for the particular animal, ASCS continues to interpret the law in such a fashion to use surplus hay or pasture as their reason to deny pork producers access to benefits they deserve.

Let me tell you how much I appreciate your coming to Alabama and hearing our problems firsthand. I wish you could have brought the Secretary of Agriculture and let him visit first hand with the local ASCS office and livestock producers. After walking through the procedure to apply for feed assistance, he would be confused also.

PREPARED STATEMENT OF JAMES COOK, DAIRY FARMER, EVERGREEN, AL

My name is James Cook. I own and operate a 150 cow dairy farm with my son in Conecuh County, Alabama. We consider our operation a typical family owned and operated farm for the Southeast United States. I am here today to offer testimony before this Senate Agriculture Committee on behalf of other producers like myself who are trying to make a living as a dairy farmer. I first want to offer my thanks and appreciation to Senator Heflin and the other members for your leadership in repealing the so-called heifer tax and the unfair diesel tax. It is unfortunate these taxes ever became law, but we appreciate your leadership and prompt attention in removing this burden from our financial backs.

I enjoy being a dairy farmer and appreciate the freedom this occupation affords me. I understand, because of the perishability and uniqueness of my product the necessity of State and Federal regulations. Our current program that utilizes a support price system to provide a floor and a safety net for producers is essential to ensure an adequate national supply of milk. I feel it is most important that this support price system maintain a direct correlation between supply and demand.

Another Federal program that I feel is essential to a healthy dairy industry is the Federal Milk Marketing Order system. This system provides that all producers are treated fairly and equitably. Current attacks on this system have come from those who either don't understand its purpose or those who wish to take money from dairy farmers pockets. In the last farm bill you saw fit to realign the hauling differentials across the United States. This was much needed and long overdue. I give as an example, Alabama, which has become one of the most milk deficit States in the United States.

Our high cost of production has driven dairy farmers to seek alternative sources of income. Alabama had the highest percentage of producer signup in the whole-herd buyout, further signifying the low profitability of dairying in our State and area. We are still one of the most dairy deficient States in the United States, but we have stemmed the exodus of farmers from one of our most basic and essential farming occupations. For those who say the increase in hauling differentials provide an unfair advantage to Southeast producers, we invite those producers to ship their milk to Alabama and enjoy the so-called advantage, or better still, move to Alabama and join us. We think they will find that an unfair financial advantage does not exist here. However, through the hauling differential realignment we can now maintain a basic milk industry. Even with current prices though, we still must depend on milk from the Midwest for seasonal supply. This milk is shipped in at substantially higher prices than we receive.

During the last 20 years the Southeast has produced, annually, about 12 billion pounds of milk. During the same period of time, the Midwest has increased their production by over 12 billion pounds of milk. Hence the national oversupply. I've read that there are several regions of the country that have unusually high percentage increases in milk production since the last farm bill and hauling differential alignments, especially Texas and California. These areas should be looked at and appropriate action taken. However, Alabama and the Southeast, which has worked to maintain a balanced supply and demand relationship, should not not be excessively penalized for oversupply. In Alabama we need to strengthen our dairy industry from the producer to processor to retailer to consumer.

In looking to the future of the dairy industry we in Alabama are familiar with a Class I Quota System and realize its usefulness in balancing supply with demand. We have some producers who feel a regional quota system might be incorporated into the present system to provide for a balanced national supply at a minimum cost to the Federal Government.

I would also like to comment briefly on the GATT negotiations. Sometimes it seems to me we want to balance the trade deficit on the farmers back. I don't mind competing on a level playing field, but I suspect that will be hard to accomplish. Each country has its own distinct advantages and needs. We appreciate your efforts to represent agriculture in these talks and ensure that we are not financially sacrificed at the expense of some other industry. In my travels abroad, I have learned that I would not be afraid to compete with dairy farmers from other countries provided that to ship a product into this country they comply with the same strict health standards, chemical restrictions and cost restraints I do.

We applaud, support and whole heartily solicit the House and Senate Agriculture Committees input into the GATT negotiations on behalf of American farmers.

In closing I would like to say that we in the dairy industry strive to be efficient farmers who produce the highest quality product available anywhere in the world. We and other farmers, as well, sometimes come under attack from food contamination scares. We ask you to address this issue in the 1990 farm bill.

Several suggestions we would like for you to consider are:

- Establish a law requiring any product entering this country to meet the same health, quality, chemical use and residue standards as products produced in this country.
- Establish national standards and tolerances for residues of agricultural chemicals in foods and products. These standards and tolerances should be established on a national basis and based on the highest and best standards of health and safety. These standards should also provide clear and precise definitions of the term "biological" and "organic."
- Establish provisions which would mandate that the Federal Government respond immediately with a credible scientific assessment of the risks and benefits derived from products which are singled out for attack by radical environmentalists.
- Establish a system for the dissemination of information regarding the ability of science to test for residues at almost molecular levels, communicating to the public the difference between one part per million and one part in 1,000 million and the relative personal risk involved in the ingestion of these minute quantities of vital agricultural chemicals.

I appreciate the efforts of Senate Committee on Agriculture, Nutrition, and Forestry in providing us this opportunity to express our concerns about Alabama's dairy industry. Thank you for your attention.

PREPARED STATEMENT OF JAMES H. SANFORD, COTTON FARMER, PRATTVILLE, AL

Mr. Chairman, members of the committee. I'm James H. Sanford, a cotton grower from Prattville, Alabama.

Mr. Chairman, cotton farmers throughout Alabama recognize America's double plight of our Federal deficit and the imbalance of our export/imports. And yes, we endorse the concept of a free market oriented long range agriculture policy for the United States. However, we realize, as do most Americans, that a "Free Market" in today's world economy is a myth. With more than 90 percent of the world's cotton production being subsidized through depressed wages, production controls, set prices, and subsidized exports, it is both unrealistic and also unfair to expect the American cotton farmer to compete in such an environment without our Government's support.

Mr. Chairman, your committee is to be congratulated on the passage of the 1985 cotton program. It is a market oriented program which has reduced our carryover from approximately 9.3 million bales to 5 million, a program which increased domestic consumption by 1 million bales and almost tripled our exports of cotton, while at the same time reducing Government costs and maintaining producer income.

Today, we are back to a 9 million bale carryover and again suffering loss of offtake. However, this does not mean that the 1985 cotton program cannot work both to reduce Government costs, secure producer income and increase offtake. On the contrary, with some adjustments, the current cotton program can once again achieve its goals. Both Secretary Yeutter and Secretary Lyng have made adjustments which have helped our production become competitive in world markets. Yet we remain the world's residual supplier of raw cotton. Secretary Yeutter announced this month, that the Department is considering changes that would adjust the AWP of U.S. cotton, which would result in U.S. cotton being more consistently competitive. We applaud Secretary Yeutter and the Department for such consideration. These are the type of adjustments to the 1985 cotton program needed to reduce Government costs, maintain producer income and secure America's competitiveness in world cotton markets.

I strongly support the continuation of the 1985 cotton program with necessary adjustments which meet the goals as established in the Food Security Act of 1985. Throughout most of its long history, the CCC loan has provided very useful functions with little cost to the Government. It has served as an orderly marketing tool; provided a mechanism through which adequate supplies could be carried at reasonable costs; and, has aided farmers in obtaining production credit. We support the continuation of the current CCC loan program. The CCC loan level for cotton should remain at its present level and premiums, discounts and bases should accurately reflect market value.

I support the continuation of the target price concept which more accurately reflects inflation in the cost of production, however, we urge the use of cost per acre, rather than cost per pound, in determining increases in cost of production.

I oppose any limits on price supports or payments due to their inherent inequities and the adverse effects such limits have on balancing supply and demand as well as bringing about increased Government expenditures.

I further oppose any type of offsetting and cross-compliance as such policies would have a severe impact upon our farmers in the Southeast, which grow more than just one crop. In addition, such policies would reduce drastically participation in any type of production control programs as well as provide a double standard to those farmers affected by limitations.

Mr. Chairman, I appreciate the opportunity to present these comments and recommendations.

Thank you.

PREPARED STATEMENT OF ROBERT S. WEIL, WEIL BROTHERS-COTTON, INC., COTTON MERCHANTS, MONTGOMERY, AL

Mr. Chairman and members of the committee, thank you for the privilege of appearing before you today.

My name is Robert S. Weil of Montgomery, Alabama, chairman of the executive committee of Weil Brothers-Cotton, Inc., a cotton merchant firm established in 1878, 111 years ago, now in its fourth generation. We have endured the vicissitudes and hazards of the world cotton trade for many decades but have rarely witnessed a more critical time in the marketing of U.S. cotton.

Let's face it. So far as effective marketing is concerned, the 1985 legislation has proved to be a failure. That legislation was enacted on the recommendation of the cotton industry and we must take full responsibility for it. Yet, we would be remiss now if we did not admit that as things worked out, we made a mistake and we would be less than conscientious if we did not now advocate the abandonment of the marketing loan approach and a new direction to take effect as soon as possible.

The above is not to say that certain components in the industry have not profited, and for that reason, some will urge a continuation of the marketing loan despite its intrinsic flaws. The hard pressed cotton producers of 1986 have indeed recovered, for they not only reaped the Government payments based on the target price and the loan (when cotton was selling beneath the loan) but also substantial equities averaging approximately $30 a bale (6 cents per pound) in the current season in the raingrown areas—largely for reasons I shall later amplify. U.S. cotton mills have consistently been able to buy cotton at or below the cost to cotton mills abroad. For instance, taking this season's highest futures price (66.50¢ for July) and the highest basis (300 on July) for SLM 1$\frac{1}{16}$". The maximum cost to a mill would be 69.50¢ which compares to the current "A" Index price of 74.75¢. (A comparative chart for the season can be developed to illustrate this fact. It should be noted that the "A" Index is based on "asking," not "selling" prices, but on the other hand, does not include the cost to take cotton from the foreign port to the inland mill.)

The program has created for merchants or handlers an "option" play, which allows the handler to speculate on the market for the duration of the loan by buying the equity and holding the cotton off the market at Government expense, while the Government pays the carrying charges. For the same reason, the warehouse segment of the industry profits by the storage at Government expense. The value of the option is reflected in the generous price for equities, thus swelling compensation to the producers.

All of the above comes at a horrendous cost to the taxpayer and at a time when we must trim budget deficits. The current cost of the program exceeds $2,500,000,000 per annum—more than $25,000 per farm, or $210 per cotton acre, or $162 per bale—33.70¢ per pound—more than half the average cost of production. The object of this legislation was to reduce the burdensome surplus of 9.3 million bales. After 3 years and $5 billion, optimistically we shall end this season with 8.4 million bales, a reduction of only 900,000 bales which could have been bought and destroyed for less than $270 million!

The foregoing is history. The heart of the matter is this: if the objective of the existing legislation is to make U.S. cotton competitive in world markets, then the marketing loan concept is hopelessly flawed and should be abandoned for the following reasons:

1. By definition, using the "A" Index to determine the "Adjusted World Price," of itself, renders U.S. cotton uncompetitive. The "A" Index is the *average* of the *asking* prices of the five lowest growths. To compete, U.S. cotton must match the *lowest*, not the *average* price. To sell, U.S. cotton must meet the *selling* price not the *asking* price. The "A" Index price includes the seller's overhead and profit; a U.S. handler cannot be expected to buy at a retail price and do business without overhead or profit.

2. Even if the Adjusted World Price [AWP] were adjusted to take the above into consideration, any equity paid to the producer would again render the cost uncompetitive. Considering the long history of equity paid to producers, it is not likely that producers would release their cotton at the loan price. As long as there is any loan, the producer must have an incentive to sell at a sufficient price *above* the loan. The equity is that incentive. Any reduction in AWP under the circumstances tends to increase the equity demanded by producers.

Another basic calculation applies here. The factor used to convert the "A" Index to Adjusted World Price approximates 1,400 points (which is the cost to land cotton from the average location in the United States to the European North Continent). The price to land cotton to domestic mills (Group B) is approximately 625 points, or 775 points less than to Europe. If the domestic mill pays the same price as a European buyer, there would allow ample room for a generous equity payment to the producer. The program does not eliminate the equity factor which will exist so long as the loan mechanism is in use.

3. The object of a competitive marketing program is to enter cotton immediately into channels of consumption. The marketing loan gets the cotton out of the hands of the producer, but the cotton does not enter consumption channels until the buyer of the equity redeems the cotton. However, the program furnishes the equity holder an option to redeem the cotton at any time *for the duration of the loan*. In the meantime, the equity holder can play the game of speculating against the world price or the futures market. In this respect the program is used for speculation rather than for forcing sales abroad. Moreover, the option factor enhances the value of the equity, and makes the cotton more expensive for immediate redemption. The result is that the United States again becomes the residual supplier to world markets.

This condition was exacerbated when the industry prevailed upon the USDA to absorb carrying charges in the loan. The result was to enhance the value of equities, to place a premium on delaying shipments at the expense of the Government, and to encourage the aforementioned equity speculation. We soon learned that anything done to make the AWP, or costs cheaper, only increased the equity premium, instead of lowering selling prices to a competitive level.

4. The marketing loan concept violates the sound principles of effective cotton marketing and of making U.S. cotton competitive in world markets:

a. The United States is the only Nation among more than 50 cotton growing countries which has assumed the role of *residual supplier.* In other words, we were supplying what other nations do not supply. The lesson of the early fifties, when foreign growths mushroomed under our umbrella, should be kept in mind. Today the substantial production in the Soviet Union and the People's Republic of China is too great a threat to ignore. So long as we are residual there is no deterrent to increases in foreign production. Only when foreign farmers see *at planting time* that the United States will compete *during the movement of their own crops,* will they curtail their production.

b. Carrying charges are a fact of life in cotton merchandising, and the cost of carrying cotton is a strong incentive to aggressive selling and efficient marketing. The absorption of carrying charges by the Government is not only a needless expense to the taxpayers but it also contributes to inefficient marketing.

c. The use of the loan itself is an inhibition to marketing. Cotton should be produced for consumption, not the Government loans. The loan assigns artificial values to every combination of quality of cotton, which values remain static for a year, and are unresponsive to the dynamic values of the marketplace. It encourages production of unwanted qualities as well as those in most demand here and abroad. The marketing loan emphasizes this undesirable feature.

d. The 18-month loan, of course, magnifies the flaws of the marketing loan. There will be those advocates to eliminate the loan extension, and we agree. However, the elimination of the extension alone does not answer the deficiencies herein discussed.

Having demonstrated the inefficiency of the marketing loan, how then should we shape new legislation to make U.S. cotton competitive in world markets, ensure a healthy U.S. cotton economy, and encourage production and consumption?

We submit the following principles:

In order to encourage the maximum use of U.S. cotton, there should be no inhibitions to cotton entering the marketplace. To this end, the loan should be eliminated *as a market factor.*

Originally, the loan was designed to allow farmers to borrow funds during the movement of cotton so that they would not be forced into distress sales. The loan also served as a basis for borrowing during the growing of the crop. The situation of farmers today is quite different. Forward crop contracting has come into vogue. More important production payments against a target price furnish the same protection, and should be extended to take the place of the loan, if possible.

The values assigned to different qualities by the loan should be eliminated as a factor in marketing. If there is to be a loan, this end may be accomplished in one or two ways. The loan level may be set so low that the values do not become a factor, *or* a single loan rate based on the lowest quality may be assigned so that the farmer will always realize a premium for any desirable quality he produces at the market value. The latter method will eliminate the intricate and expensive Government processes to value every bale.

It should also be mentioned that the loan available to those producers in Government programs also serves as a support to those producers who plant outside of the program—and in great measures nullifies the objectives of supply management.

Production payments should be correspondingly liberalized. Whether target prices should cover the cost of production or guarantee a profit is a question of philosophy and fiscal management, and not a consideration in marketing *per se.* Average costs of production have been computed:

1985	67.12¢ per lb.
1986	73.90¢ per lb.
1987	62.23¢ per lb.

However, these costs vary greatly from one general area to another, and according to the varieties of cotton grown, harvesting methods, etc. We gratuitously suggest that these variations be taken into account. Also, some specialized varieties enjoy sufficiently strong markets not to be as dependent on Government assistance.

In conclusion, we urge the abandonment of the marketing loan and the structure of the 1985 legislation, and that the 1990 legislation concentrate on the deemphasis of the loan as an obstacle to marketing and the encouragement of the free flow of cotton directly into the marketplace and channels of consumption here and abroad.

PREPARED STATEMENT OF DON WAMBLES, PEANUT FARMER, BANKS, AL

Mr. Chairman, I am Don Wambles. I operate a 1,060 acre farm in Pike County, Alabama. For those of you who may not be familiar with the State, that is the county located just south and east of this county. I produce peanuts, cotton, soybeans, corn, hay and cattle. I want to thank you, Mr. Chairman, for allowing us to be the first in what I understand will be a series of field hearings on the 1990 omnibus farm bill. Mr. Chairman, we in Alabama are proud of our agricultural industries. We are particularly proud and thankful that our senior Senator, Howell Heflin, represents us and the interests of all southern farmers on the Senate Agriculture Committee.

Senator Leahy, we hope that during your brief visit to our State, and from the comments that you will hear from Alabama farmers, that you and other members of the committee will get a better understanding of the unique needs and potentials that the southern region of this Nation offers farmers, ranchers and foresters. Mr. Chairman, no crop grown in the South represents that potential or represents a unique need more than peanuts.

Senator Heflin, it goes without saying that once again we welcome you home. You have represented the peanut program through some of our darkest hours in 1980, and your tireless work since then has brought the peanut program through the 1985 act to today as a model program which integrates the needs of growers, processors, manufacturers and consumers. Our program is not without its detractors, but through your diligence and a careful crafting of the peanut title their efforts have failed to destroy the program. In 1990 and beyond, we would like to see the peanut program continue in law very close to its present form. We like to say, "if it ain't broke, don't fix it."

Mr. Chairman, we would like to thank you for your past support of our program. As you know, farmers need every vote that they can muster. Alabama is the second largest peanut producing State in the Nation, second only to our sister State, Georgia. Every peanut planted is grown for human food, peanut butter, confections, salted nuts and oil. Over 15 percent of the Nation's peanuts are produced in the 13 county region of Alabama which lies directly south of us today, the Wiregrass region, the Second Congressional District represented by Congressman Bill Dickinson. Congressman, thank you for your leadership and support of peanuts. This region relies on the peanut crop for its very existence. Excluding the two major cities in the region, peanuts touch the lives and provide vital income for over one-half of the population.

The economic spins of dollars generated in the peanut industry support the region. This is largely because high quality edible peanuts take care in growing, care in processing, handling, and manufacturing. In Alabama, Georgia, and Florida, over 20,000 of the farmers produce over 1.1 million tons of quota and additional peanuts which are marketed each year. The peanut program provides a two-tier pricing mechanism; a support price for domestic edible peanuts, quota, and provides the incentive to producers to grow the highest quality product. The support price for domestic edible peanuts is determined by the Secretary of Agriculture annually based on a cost of production formula. In no case can the support price increase more than 6 percent per year. In addition, all peanuts produced over those needed for the domestic edible market are marketed at a support price which is determined by the Secretary of Agriculture as having no potential for cost to the U.S. Treasury. These peanuts are marketed as contract additional peanuts and are priced to meet the competition in the international marketplace. In the 1985 act, all restrictions were removed from the production of peanuts. Any farmer who wanted to do so could grow additional peanuts for the export market, and those who produced peanuts for this market were afforded an entry into the domestic edible market as the demand for these peanuts increased.

Other provisions of the program assured that there would be little or no cost to the Government. Peanuts are perishable. Anyone who has eaten a peanut which was improperly stored will recall the rancid taste. For that reason, peanuts remaining unsold at the end of the marketing year are crushed for oil and meal. Thus, there is not carry over in the modern peanut program. This stock is handled in three regional cooperatives. Should one of these cooperatives operate at below profitable levels, the profits from the others are allocated to that loss before the patronage dividends are distributed to farmers in those pools. Since the passage of the 1985 act and with the exception of costs accruing from the drought of 1988, virtually the only costs to Government for the peanut program are derived from the administration of the program.

With this brief overview of the essential elements of the peanut program, I am certain that you will agree that this title of the 1985 act needs little or no fixing.

With your permission, I would like to mention some other concerns. Mr. Chairman, I mentioned that peanuts are produced as a perishable, edible product, placing them in a category closer to fruits and vegetables than almost any other row crop produced in this country. As growers, we are constantly aware of the need to assure that our produce is safe and nutritious. In fact, our industry, growers, handlers, shellers, blanchers and manufacturers have ongoing research to assure the quality and safety of our products. I was shocked and frightened when a small, but vocal group, dedicated to the elimination of agricultural chemicals, was able to frighten this Nation with exaggerated and specious claims of pesticide residue in apples. The Alar incident in all probability will be repeated for other crops and products.

The damage was done before the USDA, FDA, EPA and the Surgeon General set the record straight before a committee of the Congress. By that time growers, their associations and manufacturers were forced to react individually with disclaimers which pitted one against the other. I sincerely hope that the committee will examine this and other similar incidents and will consider adequate protection for the food and agricultural industries of this Nation from these vocal minorities. Mr. Chairman, the peanut industry is working to this end now. We are dedicated to the highest standards attainable for our industry. The law should assist us and our Government should protect us from unwarranted attacks.

Another serious concern within the peanut industry is the direction of the GATT negotiations which, according to our observations, are being pressed by our Special Trade Representative, Ms. Carla Hills, and our Secretary of Agriculture, Clayton Yeutter. We agree with Senator David Pryor who spoke to a group of Alabama farmers in Washington in March. Senator Pryor stated that in his opinion no agreement on the GATT would be preferable to a bad agreement.

The agreement concluded in Geneva this month did nothing to assure us that our negotiators were not ready to agree to the unilateral dismantling of American farm programs and policies. Mr. Chairman, we know that the European Community recognizes the interest of an agreement, along with the value of their agriculture and the security of their food supply. We must be convinced that our representatives reflect the same concern for the integrity of our food supply.

I do not know of a single farmer in Alabama who would not like to see expanded markets for his production. I do not know of a single farmer who would not favor a system of markets, domestic and foreign, which places him in a fair and direct competition in the marketplace. However, speaking as a peanut farmer, I do not want to see the U.S. program for the production of high quality edible peanuts traded for equal access to domestic and world markets for inferior oil stock peanuts. Without the current protections under the law, cheap, inferior and perhaps unsafe peanuts and peanut products could destroy all of the efforts that our industry has made to provide the best, safest, most nutritious peanut products in the world.

Mr. Chairman, I know that you will not allow American farm policy to be written in Geneva. We have confidence that you, Senator Heflin and the Senate Agriculture Committee have the wisdom to establish in the 1990 farm bill a program which will serve the needs of farmers and the needs of consumers. Please do not allow nonagricultural negotiators to write the farm policy for this Nation in Geneva, Switzerland.

PREPARED STATEMENT OF B.B. SPRATLING, JR., SOYBEAN FARMER, ROBA, AL

I am B.B. Spratling, Jr., a farmer from Roba, Alabama. Our operation consists of soybeans, timber, beef cattle, and even a few acres of corn and milo for the wildlife. I speak now as a soybean farmer and it is a real pleasure and privilege to come before you today.

Soybean farmers congratulate this committee for coming to the country to hear from farmers directly affected by the important decisions you make. We perceive the 1985 farm act as a step in the right direction but would like to offer some suggestions pertaining to soybeans in the following areas:

(1) Agricultural environment;
(2) Foreign Agricultural Service;
(3) Acreage flexibility and double cropping; and
(4) Soybean loan.

1. Environmental policy clearly overlaps with farm policy. I'd like to focus on both today. We need balanced environmental policies which allow farmers to produce soybeans competitively and profitably while protecting the environment. Positive incentives to encourage sound environmental practices accompanied with increased education programs would go a long way toward continuing good stewardship of our productive land. We intend to do our part in practicing responsible use of ag chemicals so that no misuse occurs and products are used in accordance with label instructions. We are opposed to a nationwide ban of a product that may have been misused only in isolated cases.

2. We thank you for P.L. 480 Food for Peace and TEA (Targeted Export Assistance). We all know the continuing success story of P.L. 480. Also, TEA has been very successful in offsetting unfair soybean trade barriers. For example, the TEA program is responsible for increasing soybean oil consumption in Portugal by 36 million bushels and by 8.5 percent in West Germany. TEA funds helped increase the share of identified soybean oil on the market from 3.5 percent to 7 percent. This committee included the TEA program in the 1985 farm bill. We *strongly urge* that it be continued and strengthened in the next farm bill.

3. Alabama soybean farmers would like the option to improve crop rotations for agronomic and price reasons. We support the concept of planting flexibility for soybeans in response to market signals. We feel that we should have the option to plant soybeans on program crop acres without losing base if the market prices dictate. Also, in the South there are ways to increase soybean profits through modifications in farm program treatment of double cropped soybeans. Specifically, why shouldn't farmers be allowed to plant soybeans on their wheat set aside?

4. Alabama soybean farmers favor a loan program which would give support to U.S. soybean producers but not support our competitors. As you write soybean policy, please remember that soybeans have made a profit for the Federal Government in 3 out of the past 4 years. In 1988 alone, soybeans generated $1.6 billion in revenue for the U.S. Treasury. This occurs because under the current soybean loan program, the CCC acquires forfeited soybeans when prices are low, stores them and then sells them at a profit as the market price rises. Soybeans should not be forced to take additional budget cuts, especially since the program is projected to cost only $116 million in fiscal year 1990.

The Conservation Reserve Program has been successful in Alabama by removing marginal, less productive land from production, many of these acres having been in soybeans for years. This move has saved soybean farmers money that otherwise may have been put into a soybean crop on unproductive land. Soybean farmers are working to comply with conservation provisions of the 1985 farm bill. We support voluntary incentives to improve conservation/environmental practices. The placing of land in the CRP has had the positive effect of retiring erosion-prone cropland while achieving conservation objectives.

Mr. Chairman, that concludes my remarks. Thank you for the opportunity to be here.

PREPARED STATEMENT OF STEVE DUNN, FEED GRAIN, SOYBEAN, AND DAIRY FARMER; WHEAT AND FEED GRAINS PROGRAMS, EVERGREEN, AL

Mr. Chairman, Senators, I am Steve Dunn, a feed grain, soybean and dairy farmer. I farm in Conecuh County, Alabama. Mr. Chairman, we are honored to have you and the committee here in rural Alabama. I appreciate the opportunity to offer you my views on the operation of the Food Security Act of 1985, as it applies to grain farmers of the South.

The price and income protection provisions in the 1985 act have been the single most important element of the Federal farm program as it applies to my farming business. I am fully aware that cuts in deficiency payments, cuts over and above those already mandated in the legislation, will be considered this year, and anticipate that further cuts will be recommended for the new farm bill. I recognize the necessity to reduce the deficit and balance the Federal budget. However, I would suggest to you that price protection and income protection programs provide this Nation with an insurance program which assures that the nonfarmer consumers, all 98 percent of them, will continue to have the world's best food at the world's lowest price. Income protection programs, which are currently at or below the cost of production, represent a small price to pay for the food security of the Nation.

Mr. Chairman, farmers in the South sometimes feel that we are not considered in the mainstream of agricultural policy. We have suffered the effect of excessive heat and drought, abnormally warm winters and dry summers for several years. We appreciate the assistance which was offered as a response to the 1988 drought. It was gratefully accepted. However, a workable, fair and affordable program of all peril, all crop insurance should be implemented by the Federal Crop Insurance Corporation immediately. Farmers keep records, they are accurate enough to allow them to certify individual yields. In the interest of fairness, I for one would like to work on my own individual yields both for the purpose of crop insurance and for farm programs. Mr. Chairman, I am a good farmer, my yields are significantly above our county average. I should be able to certify and use those yields for all program and insurance purposes.

The normal climate in the South has allowed many wheat and grain producers to plant two crops per year. The most prevalent combination was Soft Red Winter wheat, followed by soybeans. Fall fertilization of the wheat followed by one or two spring applications of nitrogen and a minimum till planting of soybeans after wheat harvest provided significant savings and the opportunity to optimally use our most expensive resource, land.

Late planting of beans normally means a loss of 20 percent to 30 percent below full season beans, but the combination provides the potential for increased income and fuller resource utilization. Farmers must optimize the use of their resources, capital and labor. To accomplish this we need more flexibility. The 1985 act is too rigid. It does not allow farmers who must maintain production and yield bases to react to market signals. The 1990 legislation should retain the ability to maintain bases but at the least should provide the opportunity to plant beans, or any other crop, on set-aside acres without losing wheat base, or giving up program benefits.

Many programs have been offered which would allow farmers greater flexibility. Recently I have heard about a "triple base," proposal but do not know enough about it to discuss it. However, in conjunction with this proposal, I have heard that some of the proponents have suggested that the increased flexibility and market orientation in "triple base" be limited by providing a list of permitted crops. Mr. Chairman, as I said I do not know enough about this program to comment, but my reaction to it is that it appears to offer flexibility, then limit it, by restricting those crops which could be planted under the program. It would appear that this defeats the purpose of moving agriculture toward a more market oriented economy.

Farming, perhaps more than any other business must eliminate as many uncertainties as possible. Because we deal in biological processes dependent on climate and weather, and because these elements are uncertain, and because under the law and current economic conditions, farmers in my financial condition must participate in Government programs, they must be made more responsive to our needs and offer a higher degree of predictability. Southern growing cycles are earlier. Program announcements, deficiency payments, disaster payments and other program elements have too frequently been held up either because legislation has not passed, or appropriations have not been approved far enough in advance for southern farmers to utilize them. It would be very helpful to southern farmers if program announcements were made earlier, and program payments disbursed promptly.

Along those same lines, too often the directives which reach our local ASCS offices are confusing and difficult to understand. In the case of the recent drought, directives arrived promptly, but in several instances they were revised, or changed completely. This caused me and many of our neighbors to make repeated trips to the ASCS office, increased processing time and in general was quite confusing. I thank you and the USDA for the prompt response to our needs during the drought and I realize that in the haste to pass legislation and implement programs that confusion can occur.

Markets for agricultural products in this Nation are seen to be hitting the wall. Population growth has slowed to almost replacement level and income growth is viewed by some as the only place for growth in the domestic agricultural markets. In this scenario, exports and foreign market penetration is the only area for growth in the agricultural sector. I would like to suggest to the committee that a prime area for growth is in the discovery of new products from existing and new crops. Research into the discovery of new products, and encouragement in their commercial development should be made a high priority in the 1990 farm legislation.

In addition, the improvement of crops and livestock through the employment of molecular biology, genetic engineering and biochemical manipulation can and will yield new and more efficient production and processing technology. Government should expand rather than reduce its roll in the dynamics of developing products and processes. The traditional avenues of research and extension should be expanded. Grants and other incentives to discovery should be made more attractive to private industry through tax incentives for research and development.

A bigger bang for the bucks could be realized if significant prizes were offered for desired products or processes. A million dollar prize and patent protection for the individual or company which developed a semipermeable membrane for the passive biological refinement of ethanol would focus many individuals with many different ideas on the project. One would win the prize, but the commercial spins of other discoveries made as a result of this relatively small stimulus would reward the others who attempted the project.

Pollution is a national disgrace. Farmers are the closer to the natural ecosystem than any other sector of our economy. The finite supply of fossil fuels has not been forced to the national mind since the late 1970's, but the recent droughts and the increasing credibility of those scientists who have warned us of the greenhouse effect and simultaneous depletion of protective atmospheric ozone must give this committee cause for concern, because they have it within their grasp to make a quantum contribution to the solution of the problem. Renewable fuel supplies from agricultural and forestry resources could greatly reduce the pressures on the environment. Alcohol fuels, not just 10 percent gasohol could increase farm sales, decrease farm program costs, cut the balance of trade deficit and improve the environment. What stands in our way? Surely Congress will have the wisdom to remove the roadblocks to this kind of progress in the 1990 farm legislation.

In the 1930's Henry Ford talked of a car made almost totally from soybeans. The plastics he envisioned, and which now come almost totally from petroleum and fossil hydrocarbons, could come from the fields of this Nation, the supplies renewed each year and in the process make rural America prosperous.

Our Nation has taken a dynamic lead in the formulation of issues current before the GATT. I do not have any problems with the concept that the agriculture of this Nation and myself as a farmer would be better off with a more open worldwide trading system. I am concerned when I hear that we may be formulating American farm policy in the GATT negotiations. I have farmed long enough to have witnessed the decline of American agriculture in world markets because through unilateral actions we became an unreliable supplier. I believe that the Congress has addressed this problem, only to have it replaced with an economic policy which overpriced our production in world markets by manipulating the U.S. dollar. The result of these two actions by Government sent the farm economy into a depression, and many farmers into bankruptcy.

The Agriculture Committees of the Senate and the House did their best to alleviate the symptoms of these actions in the 1980 and the 1985 farm acts. In 1985, the Congress passed legislation which would once again allow us to enter world markets. The enhancement programs, the market loan provisions and food for peace programs have leveled the field for American farm products and as a result, we no longer have an over burden of surplus grains or soybeans to depress the market. My observation is this: This Nation does not need to have farm policy made by trade negotiators. The proper place for the formulation of farm policy rests with this committee. Do not allow either the Secretary of Agriculture, or the Special Trade Representative to usurp that power.

Mr. Chairman, I have allowed myself to ramble at your expense. There is one thing in my life that you must envy. The solitude which farming imposes provides time to gather thoughts. Sometimes I don't do a very good job of organizing them, but I am afforded the moments to think them. I have many concerns which are not expressed in this testimony.

Thank you for allowing me to express these.

Prepared Statement of Dan James, Farmer, CRP and Treasure Forest Program, Brent, AL

Changes Needed to Increase Tree Planting on CRP Lands

BACKGROUND

In the Food Security Act of 1985, Congress established a national goal—that one-eighth or 12.5 percent of the acres enrolled in the Conservation Reserve Program (CRP) would be planted to trees. Since then, tree planting has been significantly less than the required 12.5 percent to meet the national goal. In fact, USDA statistics for the CRP through the seventh signup period, show that nationally only 6.2 percent of the total acres enrolled in CRP have been designated for tree planting.

Many of the Southern States have been successful in meeting, or even exceeding the national goal. However, the vast majority of acres enrolled into the CRP are located in areas outside of these Southern States. It is in these areas of the Nation where there exists a great potential for increasing the percentage of tree planting acres.

Windbreaks, shelterbelts, filter strips, wildlife plantings, and hardwood tree planting, offer the most opportunity for tree planting where a majority of the land eligible for CRP occurs. These types of planting offer the best long-term solutions, even beyond the contract period, to abate wind and water erosion over a long period of time. However, changes are needed in the Conservation Reserve Program to provide incentives which are positive enough to persuade farmers to install tree practices.

PRIORITY RECOMMENDATIONS

Although there are a number of potential CRP changes that will result in more tree planting, the National Association of State Foresters [NASF] agrees that priority should be given to the following:

- Extend contracts to 15 years for the planting of windbreaks, shelterbelts and hardwoods only.
- Allow existing CRP contracts to be modified and provide cost-sharing for the conversion of grass acres to trees or shrubs.
- Include marginal pastureland in CRP for tree and shrub planting.

The NASF feels strongly that these changes offer the most opportunity for increasing tree planting on CRP acres, and should be pursued by both Congress and the USDA. Also NASF understands that implementing these changes would require additional CRP funding. However, by focusing tree planting efforts to the least productive and most highly erodible acres, these acres will in effect be removed from agricultural production for a period of time far in excess of the contract period. This will provide many long-term benefits to society for as long as the trees remain in place.

ADDITIONAL CHANGES

Additional changes that the NASF feel would result in more tree planting acres include:

- Offer a bonus for tree plantings, windbreaks, shelterbelts, and wildlife habitat.
- Permit planting of 10 or more acres to extend over 3 years to help spread out the costs incurred in the first year and minimize risk to the farmer.
- Allow windbreaks and shelterbelts to be planted on any land as long as they protect highly erodible cropland.
- Increase the cost-share rate to 75 percent for windbreaks, shelterbelts, and wildlife plantings (CP–4 and CP–5).
- Include a checkoff on the CRP signup sheet indicating that the landowner has been informed of tree planting opportunities.
- Cost-share for cultivation, herbicides and other practices necessary to establish trees during the first 4 years of the CRP.
- Allow the USDA more discretion to raise the 25 percent caps at the county level, and more flexibility in determining cropping history as it relates to eligibility requirements.

STEWARDSHIP PROGRAM

Our forests are perhaps the most important element of what constitutes Alabama's and our Nation's environment. While the economic, recreational and wildlife contributions are well recognized, our rich forest lands also provide us with clean water, clean air, and soil fertility; foundation elements for life itself.

Government programs of the past, which have been directed toward assisting the nonindustrial private landowners (who own most of the Nation's forest land), have been highly cost-effective. They have been excellent investments in the health of our forests with ensuing contribution to our Nation's wealth and environmental well-being. Such programs as the Soil Bank, Forestry Incentives Program, Agriculture and Conservation Program, the Conservation Reserve Program and tax incentives have all played an important role.

Government agencies such as the Soil Conservation Service, U.S. Forest Service, Fish and Wildlife Service, and EPA have developed other programs aimed at protecting and/or enhancing our forests, water, air, wildlife, and our soil. Much of the time, however, these programs have been carried out by the sponsoring agency alone, and they have not been integrated into ongoing programs of other agencies. Landowners have, therefore, not received integrated and coordinated assistance in developing their forest resources. While all these have been good investments, this is not the most cost-effective way to invest Federal dollars into this effort.

Congress must find new methods to achieve the necessary coordination and cooperation for programs designed to assist private forest landowners in achieving their forest resource objectives in such a way as to promote the common good.

Our Nation's needs for forest resources will continue to increase. The need for wood fiber for products will increase. Demand for forest based recreation will accelerate. Critical wildlife habitat areas, such as wetlands, must be protected and, in some cases, enhanced. Worldwide effects of global warming and acid rain are exacerbated by the poor stewardship practices of forest landowners. Our dependency on the elements which comprise and flow from our forests is of paramount importance to our Nation and, in fact, to the world.

Many of the concerns that we have mentioned have been with us for years. As previously mentioned, programs designed to address these issues have not been well-coordinated in the past, and most times they have been designed to repair damage after it has already occurred. Aggressive leadership and programs designed to prevent problems rather than repair the damage after it is done are needed.

Such leadership and such a program exists in Alabama. This program is conducted in such a way as to bring programs and agencies of all disciplines, such as wildlife, soil, water, forests, etc., together. This resource team approach is designed to help private forest landowners achieve their forest management objectives in such a way that all the resource values are protected and/or enhanced. The agencies and programs work with private landowners and assist them in achieving their objectives in such a way as to maximize contributions to the Nation.

Well over 10 years ago the importance of this issue resulted in the formation of the Alabama Forestry Planning Committee. The Alabama Forestry Planning Committee is comprised of directors of all State and Federal agencies in Alabama whose programs work to provide natural resource information and/or assistance to the private landowner. The program to which we referred to is one of their programs. It is called the TREASURE Forest Program. TREASURE is an acronym for Timber, Recreation, Environment, Aesthetics, a Sustained Usable Resource, and emphasizes multiple-use forest resource management. This program is outstandingly successful and it has proven to be highly superior too and more cost-effective than regulation.

Today in Alabama there are over 600 landowners who are managing over 1 million acres toward the achievement of TREASURE Forest goals. The TREASURE Forest success story is a strong signal that landowner objectives can be met through voluntary actions and in such a way that other resource values are protected and/or enhanced. Concepts of TREASURE Forest must now be adopted at the national level. Although the name TREASURE, as a title of a national program might be debated, the principles behind the program are valid.

Members of the Forestry 2000 Task Force can play a major role in implementing this concept at the national level. Attached is a draft copy of legislation which proposes an initial program to be funded at the $50 million level. All States would be eligible to participate. Implementation of this program will save billions of dollars in Federal funding which will surely be required to pay for regulatory activities unless the Nation can deal with the problem through incentives, education and cooperation with forest landowners. This program will also assure billions of dollars in benefits to our Nation from the resource benefits and values we have discussed.

Allocation to the States is always a point of discussion. This legislation proposes that each State receive $100,000 as a base amount. The remainder of the funds would be divided into two parts: One part to be allocated on the basis of the number of acres of privately owned forests; the other part to be allocated on the basis of the number of nonindustrial private landowners in each State.

The forests of the world, especially those in Asia, Africa, and South America are rapidly being depleted. Regulation controlling the management of forests are being put in place and/or are being proposed in some such places. In other such places the forests are simply disappearing. This focuses an even stronger need for us in the United States to be responsible in the treatment of our forest land. The Southeast is an especially vital section for meeting world demand for timber and wood fiber. This is one of the few product areas in which we are competitive in international markets. At the same time demands for other resource values continue to escalate in that region as well as other regions of the country.

Now is the time for strong national leadership in the area of forest resource stewardship. We must begin to realize more of the potential of our forest resources and work to ensure that they contribute to the maximum degree possible to generations of Americans to follow us. The Forestry 2000 Task Force can play a major role in making this a reality by reviewing, improving and enacting the attached legislation.

[The Discussion Draft of the Forest Stewardship Assistance Act of 1989 follows:]

CALLAH001

HLC

[Discussion Draft]
6-9-89

101ST CONGRESS
1ST SESSION

H. R. ____

IN THE HOUSE OF REPRESENTATIVES

Mr. CALLAHAN introduced the following bill; which was referred to the Committee on ______________________

A BILL

To authorize the Secretary of Agriculture to carry out a Forest Stewardship Assistance Program for owners of nonindustrial private forest land, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ``Forest Stewardship Assistance Act of 1989''.

SEC. 2. FOREST STEWARDSHIP ASSISTANCE.

The Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101 et seq.) is amended--

(1) by redesignating sections 4 through 15 as sections 5 through 16, respectively; and

(2) by inserting after section 3 the following new section:

``FOREST STEWARDSHIP ASSISTANCE

``SEC. 4. (a) The Congress finds that--

``(1) nearly three-fourths of the commercial forest land in the United States is in private ownership, and most of this land is held by about 8,000,000 nonindustrial private forest land owners;

``(2) increasing demands are being placed on nonindustrial private forest lands to provide a wide variety of products and services including fish and wildlife habitat, maintenance of wetlands, aesthetics, and recreational opportunities, as well as timber;

``(3) the products and services resulting from nonindustrial private forest land stewardship provide income and employment that contributes to the economic health and diversity of rural communities;

``(4) the quality of the Nation´s water and air and the quantity and quality of forested wetlands and other habitat available for threatened and endangered species of fish and wildlife can be maintained and improved through good stewardship of nonindustrial private forest lands;

``(5) stewardship of nonindustrial private forest lands keeps these lands in a productive and healthy condition that contributes to our overall quality of life and helps mitigate global climate changes;

``(6) stewardship of nonindustrial private forest lands requires a long-term commitment by the owners of these lands, and such a commitment can be fostered through State and Federal governmental actions and assistance; and

``(7) the United States Department of Agriculture, through the Forest Service and other cooperating agencies, has expertise and experience that can help the owners of nonindustrial private forest lands achieve their goals while, at the same time, provide significant public benefits.

``(b) The Secretary is authorized to establish a Forest Stewardship Assistance Program (hereinafter in this section referred to as the `Program´) to encourage the long-term stewardship of nonindustrial private forest lands by assisting owners of these lands to more actively manage their forest and related resources. The goal of the Program shall be to place 25,000,000 acres of nonindustrial private forest lands under stewardship management within the first 5 years after the date of enactment of this section.

``(c) In carrying out the Program, the Secretary is authorized to provide financial, technical, and related assistance to State foresters or equivalent State officials, other State and local natural resource agencies, and land-grant universities for the delivery of information and professional assistance to owners of nonindustrial private forest lands. Such information and assistance shall be directed to help the owners of these lands understand and evaluate alternative actions they could take to--

``(1) protect, maintain, and enhance fish and wildlife, water, wetland, recreation, and timber resources;

``(2) invest at least a portion of the proceeds from the sale of timber or other forest products and services in stewardship practices that would protect, maintain, and enhance the resources identified in paragraph (1);

``(3) ensure that forest regeneration or reforestation occurs where needed to sustain long-term resource productivity and to help prevent major climatic changes as a result of the `greenhouse effect´; and

``(4) protect their forest lands from damage caused by fire, insects, or diseases.

``(d) There are hereby authorized to be appropriated $25,000,000 for each of the fiscal years 1990 through 1994 to implement this section.''.

SEC. 3. TECHNICAL AMENDMENTS.

(a) COOPERATIVE FORESTRY ASSISTANCE ACT OF 1978.--The Cooperative Forestry Assistance Act of 1978 is amended--

(1) in section 5 (as redesignated by section 2 of this Act), by striking ``section 10(c)'' and inserting ``section 11(c)'' each place it appears; and

(2) in section 10(a) (as redesignated by section 2 of this Act), by striking ``section 4'' and inserting ``section 5''.

(b) INTERNAL REVENUE CODE.--Section 126(a)(8) of the Internal Revenue Code of 1986 is amended by striking ``section 4'' and inserting ``section 5''.

Prepared Statement of Booker T. Whatley, Researcher, Montgomery, AL

Mr. Chairman and members of the committee, I am honored and thankful for the opportunity to appear before you. I would like to make a brief statement and submit a detailed statement with my biodata, attached for the record.

Dick Fifield assured me that my action would be COURTLY, if I presented the chairman and members of this committee a copy of my book, "How To Make $100,000 Farming 25 Acres," and a copy of the 1989 "Old Farmer's Almanac." Mr. Chairman, I am delighted to present you and members of your committee copies of my book.

We are presently establishing the ultimate small farm at Domino's Farms. It is known as the Booker T. Whatley Farm. We're going to change the name to "Whatley's Oasis" soon. In December 1988 we started to conduct seminars on each of the "high-value" components of the farm. I would like to invite each of you to visit the farm this summer, and also to see the "Whatley Sinking Garden." I want to set the record straight: Many people think that Domino's Pizza can do whatever it wants to do in agriculture because it has money—money is NOT the solution to problems facing American agriculture. If money were the answer, agricultural problems of this country would have been solved 50 years ago.

I will be discussing the American small farmer and our small farm concept and plan for making $100,000 farming 25 acres.

We consider and recognize the categories of farms in this country:

1. Small farms—10-200 acres.
2. Family farms—100-1,000 acres.
3. Large farms—above 1,000 acres.

This country can and should support all three categories and neither should feel threatened by the other. Our press for the most part recognizes only family farms and large farms.

We are attempting to save 100,000 small, diversified and economically viable farms by the year 2000. This is the group of farmers the USDA and the Land-Grant College System told to "Get Bigger or Get Out." We are telling small farmers across this country to "Stay Small and Get Smart." We get our message to small farmers:

1. By publishing the "Small Farm Technical Newsletter" monthly;
2. By presenting seminars and lectures around the country similar to what I am doing here today;
3. In 1987, we published the book, "How To Make $100,000 Farming 25 Acres";
4. We have conducted a massive media campaign which included radio, television, more than 800 newspapers, and all of the leading farm magazines, including the February 1989 issue of the "Progressive Farmer"; and
5. The 1989 issue of the "Old Farmer's Almanac" includes our "Guru's 10 Commandments."

I can remember a few years back when the "Progressive Farmer" and "Successful Farming" magazines would not have published an article with respect to small (10-200 acres) farming. The "Progressive Farmer" referred to me as "would be savior of small farms." "Successful Farming" went to the extent of dropping subscribers who were not grossing $40,000 per year. They are now trying to get them back.

In this country we live under many myths:

1. Most Americans think EVERYTHING is fresh in a supermarket—there is nothing fresh in a supermarket. I am always amused when I observe a housewife attempting to pick out fresh sweet corn which is 2 weeks old.

2. Most Americans think that the housewife wants built-in maid service when she purchases food for her family. Most American housewives want to purchase "contamination-free" fruits, vegetables, and meats for their husband and children. They also believe that once food products are turned over to American food processing they are going to add something that will kill YOU.

3. Most Americans think that hard work pays high dividends, and farmers are known to be hard workers. I want to inform you that: Good Solid Management, Good Solid Planning, and Good Solid Thinking for yourself pays high dividends. Most farmers spend too much time on the seat of a tractor, and many of the tractors are air-conditioned. They should spend more time in an air-conditioned office managing, planning, thinking, and keeping good records. I see farming as a business just as General Motors, Ford, and Domino's Pizza. I do not see farming as a "way of life" or as a "lifestyle." In a capitalistic country like ours—you must have money if you desire a lifestyle of any note in the United States.

The day is fast approaching when farmers will stop farming the Government and start farming their LAND.

The wheat and corn we export to other countries do not pay our sugar bill. In 1988 we paid $136 million for imported sugar; the wheat and corn brought back only $111 million.

The USDA and the Land-Grant College System think that the way to assist small farmers is by establishing State-owned farmers' markets and establishing cooperatives. I am totally opposed to establishing State-owned farmers' markets as a vehicle to assist small farmers, because they force small farmers to do what they cannot afford to do—harvesting, grading, washing, packaging, and transporting their wares to a farmers' market 75 miles away. I refer you to Mr. Andrew W. Lee's letter from Massachusetts to me dated January 12, 1989, and Ms. Marilyn R. Kelley's letter dated April 18, 1989.

Things are changing in American agriculture. Once we thought it took an army of individuals to bring about change. On January 26, 1989, in USA Today, you read about "Sokolof's" crusade to take no mega-firms to produce healthier food. Responding to pressure from health-conscious consumers, companies are racing to reformulate products made with cholesterol-causing tropical oils: palm oil, palm kernel oil, and coconut oil. Procter & Gamble Co. is dumping palm oil from Crisco shortening; Borden's is taking tropical oils out of Nature Valley Granola candy bars, Bugles snacks, and Betty Crocker desserts.

For decades tropical oils have been found in cakes, cookies, cereals, creamers, and potato chips. The Omaha industrialist Phil Sokolof—started the stampede to switch—Sokolof insists the saturated fats in tropical oils make them "poisons." You are going to hear more about nontoxic farming. You are going to start to hear more about weed control without herbicides—Jay McKaman in his book, "Weed!!! Why?," makes the statement—"Weed populations can be better indicators of mineral availability than soil tests."

You are going to hear a great deal about the "Natural Resources Defense Council's [NRDC]" report: "Intolerable Risk: Pesticides in our Children's Food." Organic and biological farms will come of age. I trust that none of our so-called agricultural experts will attempt to defend our present system. It is indefensible.

Several years ago, Ward St. Clair, a reporter for the Washington Post, came to Montgomery and interviewed me for an article to be published in his newspaper. The title of the article was: "A Lone Guru in Alabama Has Found a Way To Make Big Bucks on Small Acreage." My wife was the nutritionist for the Montgomery Head Start Program at the time. The next day she carried the article to work with her and showed it to an Indian lady and the lady screamed—your husband a GURU!!! When Lottie came home she explained the lady's excitement and said that we had better look up that word—the word Guru means a teacher or spirit. I have elected to be the "spirit of small farmers in the world." Our small farm concept and plan are based on what I call the Guru's 10 Commandments—you may not follow the Biblical 10 Commandments—if you are a small farmer or plan to assist small farmers, you must follow the Guru's 10 Commandments or forget small farming.

THY SMALL FARM SHALT:

I. PROVIDE YEAR-ROUND, DAILY CASH-FLOW

I recommend that these types of farms have a *minimum* of 10 crops, each representing no more than 10 percent of the gross of that farm. So if you completely lose one crop, you're still operating at 90 percent efficiency. And there are not many things in this country operating at 90-percent efficiency.

II. BE A PICK-YOUR-OWN OPERATION

A pick-your-own operation greatly reduces the cost of labor. But it requires excellent management and detailed planning. Any successful PYO operation has these features:

—One place to enter the farm and one place to leave it. The husband should greet the ladies when they come to the farm, supervise picking, and teach them how to harvest. The wife should be in charge of the checkout station. If you men get over at the exit, some of those charming ladies are going to jive you right out of all your strawberries.

—Parking on both sides of the road near the crop being harvested. Don't build a central parking space and transport your clients to the crops. Let them drive right up.

—Comfort stations in the fields. Some farms even have telephone jacks out there so that their clients can call home or the office.

—No pets allowed. Folks will bring dogs and some of these dogs have a way of getting in heat. Then you have half the males chasing the females and the other half fighting.

It's not necessary to advertise if you abide by the third commandment, which is:

III. HAVE A CLIENTELE MEMBERSHIP CLUB

A CMC consists of a group of loyal customers who are seeking wholesome, high-quality, contamination-free fruits and vegetables, fish and game birds, honey, nuts, rabbits, care and feed for their horses, and recreation for their families. To belong to a CMC, we recommend that the farmer charge an annual fee of $25, which gives your clients the privilege of coming to your farm and harvesting produce for 60 percent of what your local supermarket is charging. One 25-acre farm will supply the needs of 1,000 households. People say, "Oh, it would be so hard to get 1,000 of these people!" My reply to that is, well, everything is hard! Life's hard! But where you can provide yourself with a guaranteed market, it's worth it.

Don't accept just anyone. The first thing to ask is, "Do you have a freezer?" If the prospective client doesn't have a freezer, you're wasting your time. You're trying to find people to join your CMC who have the same philosophy as the ant. They believe in preparing for winter. They believe in it religiously. The CMC is the lifeblood of any diversified small farm operation.

IV. PROVIDE YEAR-ROUND, FULL-TIME EMPLOYMENT

You just invite disaster to set up one of these farms and think you're going to work at it part-time or just on Saturdays and Sundays. The farmer says he's going to be open from 9 a.m. to sundown every day of the week.

V. BE LOCATED ON A HARD-SURFACED ROAD WITHIN A RADIUS OF 40 MILES OF A POPULATION CENTER OF AT LEAST 50,000, WITH WELL-DRAINED SOIL AND AN EXCELLENT SOURCE OF WATER

City folks don't mind driving up to 40 miles. But after that, they are taking a trip, and they're not interested. You need well-drained soil and a good source of water because every inch of this farm is under irrigation.

VI. PRODUCE ONLY WHAT THY CLIENTS DEMAND—AND NOTHING ELSE

Farmers are notorious for producing what *they* like to grow and then trying to sell it to somebody. But if your clientele demands collard greens, you shouldn't waste your time trying to educate them to eat kale. If they demand collard greens and turnips, that's what you grow. Nothing else.

VII. SHUN MIDDLEMEN AND MIDDLEWOMEN LIKE THE PLAGUE, FOR THEY ARE A CURSE UNTO THEE

When some people talk about direct marketing, they mean farmers doing all the harvesting and hauling it to a farmers' market. But when I use the words direct marketing, I mean a situation where the clients come to the farmer, do the harvesting, and take it home with them in their own containers. The small farmer cuts down on his cost of production and gets 100 percent of the dollar spent on what he grows.

VIII. CONSIST OF COMPATIBLE, COMPLEMENTARY CROPS THAT EARN A MINIMUM OF $3,000 PER ACRE ANNUALLY

For example, everybody in this country eats strawberries. The few who don't are allergic to them. You don't have to worry about those people. The same holds true for blackberries, raspberries, blueberries, and root crops. All of us eat greens. All of us who can afford to eat quail and pheasant. All of us like fish. All of us like honey. You can grow Chinese chestnuts, nuts, sweet corn, and lamb. You can stock a pond and sell fishing rights. All of us eat peas and beans. But if you're producing peas and beans, get yourself a sheller. The middle-class American housewife doesn't mind coming out with the kids and picking a few bushels of peas, but she doesn't want to spend the next 6 months shelling the things.

IX. BE WEATHERPROOF AS FAR AS POSSIBLE, WITH BOTH DRIP AND SPRINKLER IRRIGATION

This protects you against drought, late spring frosts, and early fall frosts.

X. BE COVERED BY A MINIMUM OF $250,000 WORTH ($1 MILLION IS BETTER) OF LIABILITY INSURANCE

Now, I talk about city folks and how dumb they are, and a lot of it is true. The reason you want a pick-your-own thing is these city folks will pick sticks and stones and stuff the farmer would never dare pick. That's why you always charge by weight, not volume. But there is one thing that city folks know how to do. They know how to sue you.

Now my peers and opponents say the Whatley Small Farm Plan is just too complicated for small farmers in this country. My plan *is* complicated. It requires good management. But my granddaddy, who was born in slavery and never went to school, operated a farm 10 times more complicated than this. What the old man had going for him was a head full of common sense.

Farmers in this country are hard working. But they have to be hard planners, hard managers, and hard thinkers, too. (Excerpted with permission from "How to Make $100,000 Farming 25 Acres," published by the Regenerative Agriculture Association (RAA), a division of the nonprofit Rodale Institute. It is available in softcover—$17.95, postpaid; and hardcover—$24.95, postpaid—from the RAA Library, 222 Main St., Emmaus, PA 18049.)

BIOGRAPHICAL DATA—BOOKER T. WHATLEY

Booker T. Whatley was born on a farm in Calhoun County, Anniston, Alabama, on November 5, 1915. He is the oldest of twelve (12) children. His parents were married for sixty-three (63) years. He received his B.S. degree in Agriculture from Alabama A. & M. University in 1941, and his Ph.D. in horticulture from Rutgers University in 1957. He served as an adjunct professor at Cornell University from 1971-1978.

He has authored more than sixty (60) scientific publications, originated five (5) sweet potato cultivars, fifteen (15) muscadine grape cultivars and the "Foxxy Lottie" bunch grape cultivar, which he named for his wife, Lottie. He is "the National Small Farm Expert" in the United States, and a highly respected authority on Biomass Crop Production for making gasohol.

He served on several national committees. He has received many State and national awards. "The USDA Forum on Blacks in Agriculture" honored Dr. Whatley on December 14, 1983, by naming its highest award—"Booker T. Whatley Agriculture Service Award." Dr. Whatley was the first awardee. The award now is presented annually. The "Booker T. Whatley Agricultural Service Award" is presented: "In recognition of exceptional service and contributions in Agriculture."

He retired from Tuskegee University August 1, 1981, and is now CEO of Whatley Farms, Inc.; president of Whatley Farm Foundation, Inc.; editor of the "Small Farm Technical Newsletter"; distinguished professor-emeritus, Tuskegee University; and fellow emeritus, the American Society for Horticultural Science. His one-hundred-thousand ($100,000.00), twenty-five (25) acre small farm concept and plan is known worldwide. In his fellow citation at the University of Guelph, Guelph, Canada, on Wednesday, August 14, 1974, he was complimented "for being an Ambassador for Horticulture throughout the world." He is the author of the book: "How To Make $100,000.00 Farming 25 Acres," Rodale Press, 1987, and Agricultural Advisor to: Thomas S. Monaghan, Domino's Pizza, Ann Arbor, Michigan. Monaghan named his Whatley-type farm the "Booker T. Whatley Farm," June 23, 1987.

Dr. and Mrs. Whatley reside at 7 South Haardt Drive, Montgomery, Alabama 36105, 205/265-7786 or 205/265-7754.

ANDREW W. LEE,
RR02, 60A NICHEWAUG, PETERSHAM, MA,
January 12, 1989.

BOOKER T. WHATLEY,
Small Farms Technical Newsletter, Box 250027, Montgomery, Alabama.

DEAR DR. WHATLEY: I was thrilled to get to talk to you by phone on Tuesday. Have read your book and am convinced that you have a truly unique plan that can indeed save thousands of small farms over the next decade, as well as to help countless others like myself get a start in profitable small scale diversified farming.

I first read your book last spring (1988) but the full import of your message did not sink in until late fall when I finished another successful but frustrating and disappointing year hauling vegetables to the farmer's markets in the Boston area.

Lack of a guaranteed market makes the job of predicting the correct crop mix almost impossible. For instance I composted crates full of lettuce and eggplants because I had too many, but at the same time I never had enough tomatoes or sweet corn. If I'd had a CMC I could have surveyed them for their needs before planting and been a lot better off, plus, if they came and picked it up I could have eliminated spending 4 days each week in Boston. The emphasis you put on year-round income is also very exciting.

I'm enclosing $16 for the newsletter. Also, if you have any back issues available please let me know and I'll send a check. I'm hooked on your ideas and want to learn as much about it as I can.

Last week I responded to an ad in New Farm magazine (January 1989) for a farm manager. I'm enclosing a copy of the ad, and my response to it for your review. If that job is not available to me I plan to run my own ad in New Farm, and in your newsletter if it is appropriate. One way or another I'm going to get involved in CMC farming!

Do you think the attached advertisement is appropriate for your newsletter? If so how much will it cost? Thank you again for coming up with the CMC idea, and doing so much work to get it accepted. I do hope I get a chance to meet you in person and thank you personally.

Sincerely,

ANDY LEE.

MARILYN R. KELLEY,
P.O. Box 760303, OKLAHOMA CITY, OK,
April 18, 1989.

DR. BOOKER T. WHATLEY,
Small Farm Technical Newsletter, Whatley Farms, Inc., 7 South Haardt Drive, Montgomery, AL.

DR. WHATLEY: Having just completed my first reading of your book, "How To Make $100,000 Farming 25 Acres," I wish to commend you for your work to revitalize American agriculture. Raised on a dairy farm, my family experience with government programs was vividly remembered while reading your text.

As an avid gardener and producer of poultry for home use, I have, on occasion, marketed my surplus direct to the public. Your writing has encouraged me to fulfill my lifelong ambition of being a farmer, currently I am in the field of water resources.

I would appreciate subscription information for your newsletter and a source to obtain my own copy of your book.

If, in the future I may be of service to you, or if you are in my area, please do not hesitate to contact me. If my experience in the field of water resources might be helpful to any of your subscribers in my area in the assessment of water supplies, ground water pollution, or reclamation of wastewater, please pass along my address.

Thank you again for the direction and inspiration.

Respectfully,

MARILYN R. KELLEY.

PREPARED STATEMENT OF WARREN MCCORD, STATE LEADER FOR COMMUNITY RESOURCE DEVELOPMENT, ALABAMA COOPERATIVE EXTENSION SERVICE, AUBURN UNIVERSITY, AUBURN, AL

Gentlemen, it is a privilege to appear before you today. I first want to thank you for taking the initiative to "go to the field" to get "firsthand" information as a means of preparing for your important task of developing new legislation for agriculture and rural development. Senator Heflin, your interest in the well-being of your constituents and their opinions is well known. Senator Leahy, your interest in rural areas of our Nation is well acknowledged by those of us who work with rural people and communities and organizations who make rural policies. Thank you and the other Senators for coming to Alabama.

Although Alabama has a significant agricultural economy, it has many people who are as greatly affected by rural development policies and programs as those directly affected by agriculture policies and programs. The South has both agriculture problems and potentials and rural nonfarm problems and potentials. Both are related, but also independent of each other. Solving the problems of agriculture will not necessarily solve the problems of rural communities and vice versa. In the late seventies, when agriculture was "fence row to fence row," many counties in Alabama with large agriculture acreages had some of the lowest per capita incomes in the State. Agriculture policies and programs must must be designed with their impacts on rural communities as well the farm economy in mind. *What is needed is comprehensive agriculture and rural development policies and programs that not only ensures that rural America has a competitive and dynamic agriculture and forestry economy, but ones that ensure economic diversification and quality of life in rural communities.*

Since there are several addressing you today regarding the needs of agriculture, I will not deal with agriculture policy needs. I will address the situation and needs of farm families and the many nonfarm families that live alongside farm families in rural Alabama.

Of Alabama's approximately 4 million people, some 2 million of them live in towns below 10,000 in population or in unincorporated places. And gentlemen, these people and their communities are facing serious problems. The rural problems have been compounded by the restructuring of agriculture without rural areas having an infrastructure sufficient to attract alternative economic enterprises. This has lead to the underdevelopment of human and natural resources, unemployment, human suffering, economic stagnation, and population decline. Rural population decline, I might add, contributes to urban problems, because it is to the larger towns and cities that these unemployed, and often untrained people flee.

Let me briefly summarize the southern rural problems as I have observed them while I almost daily work with local and State elected officials, county agents, local, regional, State and Federal officials, and rural residents trying to improve the rural situation. There is ample data to document these problems but I will forgo them at this time.

—Bridges that do not meet minimum standards. It would take 80 years of using revenue currently available to Alabama counties to bring county bridges up to standards.

—Unreliable or contaminated water supplies in some rural areas. We have reached a point where it is extremely expensive to extend sanitary water service to those currently not on a system. Deteriorating rural roads that are inadequate to support industrial transportation.

—General lack of strong local leadership, public decisionmaking and a general lack of distrust of governmental officials. This is compounded by the lack of understanding of governmental and development problems by local citizens and government officials. This makes local governmental actions difficult. There are at least three county governments in Alabama on the verge of bankruptcy at this very moment.

—Wastewater treatment systems in small cities are inadequate to meet minimum standards and to add additional industry users.

—Inadequate quality of life support systems such as recreation, fire and police protection, housing and health care.

—Lack of local capital required to support expanding business and industrial sectors.

—Lack of understanding of how to access capital markets.

—Low educational attainment, with high dropout rates and high incidence of functional adult illiteracy and a low wage, low-skilled workforce.

What, then, can be done? Many of the problems stated above are local problems and must be dealt with at the local level. However, the causes for some of them are statewide, regional, national or global and the responsibility to deal with them must be shared by State and Federal Governments. Likewise, they also have national implications and must have policy guidance, financial resources, and technical assistance from State and Federal levels.

1. Examine existing programs and fund those that have greatest impact on rural problems. Since many of the rural problems stated above have been in existence for many years, it is tempting to think that perhaps new agencies and institutions are needed to address them. However, before you do that, I strongly recommend that you examine what initiatives are being undertaken in existing agencies to improve their impact on these problems or what redirections can take place if resources and/or policy guidance is provided.

The land-grant university experiment station research and extension system provides the Federal Government an effective and efficient mechanism to provide education, technical assistance and research in areas of *national* priority. I strongly recommend that it be used to generate and transmit new technology to help meet national goals for improvements in rural America similarly to the way it has assisted in agriculture development.

The land-grant extension and experiment station research system is undergoing considerable redirection at the local, State and national levels as it moves to be a more comprehensive natural resource and rural development institution.

As an example, after a 2-year national planning process involving thousands of outside persons including users and nonusers of extension programs, public hearings similar to the one you are holding today, and many task forces and internal studies, the national extension system is focusing its educational and technical assistance programs on eight national priority issues. In 1988, the national cooperative extension system committed 4,077 staff years to multidisciplinary programs in human capital, family well-being and rural revitalization. An additional 490 staff years were devoted to water quality programs, which is an issue of significance to natural resource dependent rural America.

Similar responses are taking place in the States. As an example my own agency, the Alabama Cooperative Extension System, composed of Auburn, Tuskegee and Alabama A. & M. Universities undertook in 1987, a strategic planning process to identify the most significant rural problems in Alabama that should be addressed by the extension system. Over 3,200 individuals were surveyed, including all county commissioners in the State. The result has been the Priorities for People Program that focuses the resources of the system on five major State issues: The Regaining Agriculture and Forestry Profitability with emphasis on business management skills, productions systems, alternative enterprises, and marketing strategies; the Development, Conservation, and Management of Natural Resources with emphasis on water quality and quantity, soil preservation and productivity, and human and cultural uses; Enhancing Family and Individual Well-Being with emphasis on family stability, wellness, diet and nutrition, and resource and financial management; the Development of Human Resources with emphasis on leadership development and volunteerism; and the Revitalization of Rural Alabama with emphasis on economic viability, community services and facilities and public policy. Specifically educational and technical assistance programs are being delivered to:

—Help public officials in rural areas better identify, solve, and react to new and emerging problems and issues.

—Improve decisionmaking and management skill of local officials for financing and delivering public services.

—Expand educational programs on alternative community economic development strategies and on the implications of a changing economic structure.

—Provide public policy education for elected officials and their constituents.

—Provide organizational and technical assistance to economic development groups and organizations.

—Develop mechanisms for supplying public officials and citizens with information on and analyses of the impacts of emerging economic and demographic trends and developments in rural Alabama.

—Help local officials identify sources of technical and financial assistance.

—Provide both public and private groups with assistance in developing and managing public facilities and services to support economic development.

—Provide rural families with financial management education through area money management centers.

—Enhance farmers abilities to influence public policy decisions that affect their lives through agriculture leadership development programs.

The cooperative extension system is a conduit of research information from land-grant universities to individuals who are trying to solve problems relating to their farms, homes, business, industries, and communities. The agriculture experiment stations at land-grant universities are directing their attention to problems and issues of rural America that they may not have addressed.

The Alabama Agriculture Experiment Station at Auburn University has a blue ribbon task force at work examining priorities for its future research direction. It will be looking at research projects that should be dropped so that others can be initiated that will be more relevant to the needs of rural Alabama. The Experiment Station has already initiated new high priority research. Because of increased research funding, a major research effort has been initiated on water quality and quantity in Alabama. The feasibility of irrigation districts will be examined as well as water utilization pattern of various segments of rural activities to include agriculture. Experiment station research is becoming size neutral, i.e., technology discovered will be applicable regardless of the size and scale of operation. Research on value added processes for agriculture commodities, consumer responses and preferences, and environmental impacts, solid waste management, and economic development have been initiated.

The cooperative extension system is becoming truly the front door for the land-grant university. At Auburn University, several steps have been taken to facilitate the application of the total resources of the University to rural problems. Extension specialists have been integrated into teaching and research departments that have technology that can contribute to rural development problems. Public service units such as the Engineering Extension Service, Center of Governmental Service, Alabama Technical Assistance Center, are being linked to the Cooperative Extension Service through a common vice president. A satellite up-link facility is being installed to further make the technology being generated at the university available to all parts of Alabama. Similar adjustments are taking place at land-grant universities throughout the Nation.

Land-grant universities are forming new partnerships as a means having an even greater impact on economic development. In Alabama, the cooperative extension service has worked for many years with the Governor's office, regional planning agencies and councils of government, and other State and Federal agencies in rural development efforts. Currently Extension staff are contributing technical assistance to the Governor's Rural Development Initiative and his Prepared Cities Program, working with the State Department of Public Health on rural health problems, and with over 10 other State agencies in rural development programs. THEREFORE, THE LAND-GRANT EXTENSION AND RESEARCH SYSTEM SHOULD BE CONSIDERED A CRITICAL, EFFICIENT, IMPACTFUL INGREDIENT FOR AGRICULTURE AND RURAL DEVELOPMENT AS YOU WRITE RURAL AND FARM LEGISLATION.

2. Develop policies that encourage multijurisdictional approaches to problem solving. Rural communities do not have the resources nor the capacity to develop programs to solve rural infrastructure and economic development problems when they act alone. However, several rural communities and/or counties, working cooperatively, particularly with a growth center, have a greater probability of developing a solution.

The sub-State regional planning districts such as regional planning and development commissions and councils of government and the cooperative extension service can become stronger partners in working with local jurisdictions in understanding the advantages of the regional approach to economic development. The extension service can input research based information to the regional planning process being conducted by the planning districts, assist local leaders in interpreting the plan, and both regional planning agencies and extension can assist local leaders in designing strategies to implement the plan.

3. Fund existing programs to provide financial support for the development of basic infrastructure in rural areas, particularly sewage disposal systems, expanded water systems, solid waste systems, and roads.

4. Support development of a linked health care system that provides access to specializations at higher levels in the system while ensuring that minimum care facilities are maintained in rural areas.

5. Stimulate revolving loan funds for rural business and industry capital formation, particularly agribusiness and value added enterprises.

PREPARED STATEMENT OF P.W. BROWN, ASSOCIATE DEAN FOR THE COOPERATIVE EXTENSION PROGRAM, TUSKEGEE UNIVERSITY, TUSKEGEE, AL

To Senator Heflin, Senator Leahy, other members of the Senate Agriculture Committee, ladies and gentlemen, I am Philip Washington Brown, Associate Dean for the Cooperative Extension Program at Tuskegee University. I am extremely pleased to have been asked to appear before you today. My comments will be centered around two major issues, namely RURAL DEVELOPMENT and ALTERNATIVE AGRICULTURAL OPPORTUNITIES.

First, I will address the area of rural development. From its inception, Tuskegee University has been involved in rural development. In 1881, Booker T. Washington, the founder of Tuskegee University, encouraged his students to return to their generally impoverished rural communities to help the less fortunate. This philosophy of helping people to help themselves consequently led Tuskegee University to pioneer the Nation's first university-related conference in 1892, the Jessup Wagon—the first of four movable schools-on-wheels—and ultimately the first Cooperative Extension Agent, Thomas Monroe Campbell in 1906. Today, the mission to reach the unreached is still a commitment of the Tuskegee University Cooperative Extension Program.

Rural Alabama continues to face critical times which are associated with the loss of jobs, a lagging farm economy, loss in rural population, loss of leadership, inadequate housing, inadequate tax base to support education and other basic rural community needs.

In an effort to improve rural Alabama, it is not only in the best interest of those living there but is in the best interest of the entire State, region and Nation. Not only rural Alabama, but rural America is responsible for the production of food, fiber, and forest products as well as for stewardship of most of the land and water resource base.

Our Extension staff continues to address the concerns of rural Alabama through our educational programs. We are aware of the fact that education is not the only solution to rural problems, however, we provide training in leadership development, management, marketing, coping with transition, decisionmaking and understanding natural resources. Our staff assist communities in understanding how forces outside the community affect their own situation. The research being conducted at Tuskegee University enables our Extension program to provide basic information and assist the community in conducting self-assessments that will show what trends are at work and how such trends tie into State as well as national changes.

There is a need for skilled community leadership in rural communities. Through educational programs aimed at all age groups, Extension can expand the pool of quality leadership and improve the educational support for community leaders to assist them in coping with local needs. Extension will also continue to build networks among local, State and Federal organizations; increase understanding of policy alternatives and implementation; improve support for community leaders and provide continuing education for rural leaders.

The quality of natural resources in rural areas is a critical factor in revitalizing rural America. Extension, with adequate resources, will develop educational programs designed to foster an understanding of the impact of natural resources on the quality of life and will help people learn to work together to assess and develop public policy. Extension will also work with individuals and communities to increase natural resource income through recreation development; guide communities in increasing off-farm employment opportunities; encourage public policies that support multiple use of natural resources and facilitate the creation of natural resource base investment and entrepreneurial opportunities.

Our Cooperative Extension can strengthen the public decisionmaking process through educational programs that help local officials improve the cost effectiveness of local governments and find new ways to develop and deliver community facilities and services. Extension will guide localities in the development of alternative revenue sources; encourage public-sector entrepreneurs; stimulate local government to look for new ways to deliver services and encourage local officials to explore all avenues of potential savings.

Rural families and communities are having difficulty adjusting to the impacts of political, economic and social change on rural life. Our Cooperative Extension Programs can help rural individuals, families and communities cope with transition; strengthen family support networks; and help local decisionmakers devise new institutional arrangements to meet family and community needs. Extension will also encourage communities to seek out new industrial arrangements; assist with community problem solving and public policy concerns; teach rural residents to understand and interpret trends that shape local decisions; enable people to deal with the consequences of external decisions; and empower rural leadership through education.

Our Cooperative Extension System can help maintain and enhance the profitability of rural businesses, including agriculture and natural-resource-based enterprises. Extension will teach businesses to improve efficiency; assist families and youth during economic transition; provide education that will increase the ability of rural businesses to maintain and enhance enterprise competitiveness; and to provide guidance to local areas in obtaining financial assistance.

Our Cooperative Extension System will assist communities in finding alternative use for rural resources. Emphasis will be faced on diversifying the rural economic base; increasing the value added to products locally and developing new sources of employment in income. Extension will also facilitate the formation of new business; encourage diversification of regional economic base; and assist communities in attracting income, new basic industries, and employers.

Potential impact of these activities would mean—rural leaders in the public and private sectors will have a greater capacity to establish comprehensive community economic development action programs and—rural Alabamians will be better prepared to shoulder the responsibility for revitalization of their local areas.

Now I would like to make a few comments relative to alternative agricultural opportunities. Alabama farmers may need to consider moving away from overconcentration in a few major crop and animal products and practices. Many local economies cannot offer adequate alternatives to displaced farmers and can ill afford the job losses accompanying outmigration. Consequently, farm and small town youth must consider new approaches to family objectives, jobs and education.

Farmers who could benefit by changing their operation may have several options such as: to diversify practices and/or products; to convert to another enterprise—either a traditional crop or an alternative; to add value to products through enterprises such as on-farm processing; and to seek off-farm employment.

Some farmers can benefit from diversifying into new agricultural products (such as speciality crops and animals, industrial crops and materials made from them, and alternative food for major domestic and international markets) or into service or nonproduct enterprises (such as providing the public recreational opportunities). Adding value to products offers another possibility for expansion. Farmers who do not know how to market produce, utilize and manage new products, services and enterprises have limited potential for contributing to sustained profitability and environmental stewardship. Extension can prepare managers to consider total resource management, marketing and sustained profit when they evaluate the possibilities of new ventures.

It is impossible for many rural families to earn enough income from traditional agricultural enterprises. They need help to analyze and evaluate nonfarm employment alternatives and to integrate these opportunities with their traditional livelihood. Our Extension system will assist farm families and farmworkers to seek and obtain off-farm employment to supplement farm income; to assist farmers and farmworkers to analyze and evaluate career options and requirements and the implications of employment choices upon other aspects of their lives; and encourage the development of off-farm business ventures that will allow continued operation of farm enterprise or serve as alternative to farming activities.

The potential impact of these activities could mean—Alabama farm families will effectively and efficiently integrate the requirements of alternative or traditional agricultural enterprises. Farmers will increase profitability through alternative marketing strategies developed as a result of improved marketing skills and analysis of domestic and international markets. Farm operators will utilize new skills and processes to evaluate the production and market potential of alternative agricultural products. Alabama farms will improve resource utilization and profitability while minimizing environmental impact through adoption of alternative production systems utilizing new and existing technologies and management practices.

Mr. Chairman and members of the committee, as partners of the Cooperative Extension System, we solicit your full support for legislation and appropriation that will aid in the revitalizing of rural America and aid in implementing alternative agricultural opportunities for American farm families. Please be assured that the Cooperative Extension System, which is the educational arm of the U.S. Department of Agriculture, will continue to meet these challenges in the years ahead.

PREPARED STATEMENT OF DAIL D. GIBBS, EXECUTIVE VICE PRESIDENT, ALABAMA RURAL ELECTRIC ASSOCIATION, MONTGOMERY, AL

Mr. Chairman and distinguished members of the committee:

I appreciate this opportunity to appear before you today to discuss rural economic development and the ways in which rural electric systems can work in partnerships with others to promote the development of the rural areas of Alabama and the Nation.

Senator Heflin, before I begin my brief statement, let me give you my personal thanks and the appreciation of Alabama's rural electric cooperatives for the consistent and strong support you and your committee have given to REA. Senator Heflin, as Alabama's senior Senator and chairman of the U.S. Senate Agriculture Subcommittee on Rural Development and Rural Electrification, we extend our deepest gratitude.

I can tell you from my own personal experience, in every nook and cranny of rural Alabama, over many years, that the Agriculture Committee's strong support for REA has vastly improved the economic well-being and quality of life of the people of rural Alabama. I believe that the REA program is the greatest program in the history of our Nation. I see its benefits firsthand every single day, and I appreciate your support for it.

The Alabama Rural Electric Association is the statewide service organization for the rural electric cooperatives in the State of Alabama. Alabama's 22 rural distribution cooperatives serve more than 1 million people residing in 59 of Alabama's 67 counties. On average only slightly more than seven consumers are served over each mile of line operated by the electric cooperatives of our State. This compares with U.S. averages of 5.2 consumers per mile of line for rural electric systems, more than 30 consumers per mile of line for investor-owned utilities and more than 65 for municipal utilities. Alabama's generation and transmission cooperative, Alabama Electric Cooperative headquartered in Andalusia, Alabama, and the Tennessee Valley Authority generate a substantial portion of the wholesale power needs of these distribution cooperatives. Around 1,900 people are employed full time by the electric cooperatives in Alabama. Our million-plus members have elected 200 directors to oversee these 23 rural electric cooperatives.

The rural electric cooperatives of Alabama have long been involved in development projects beyond the providing of electric service. This involvement and assistance in promoting rural development has taken many forms among the rural cooperatives, depending upon local needs and circumstances. Cooperatives are involved in providing a wide range of assistance to local businesses, community development and infrastructure projects. We have a strong interest in encouraging business growth and job opportunities in rural Alabama. Two of our rural distribution cooperatives—Pioneer Electric Co-op headquartered in Greenville, Alabama, and Dixie Electric Co-op of Union Springs, Alabama—operate rural water systems which they created to assist the people of their areas.

Why are rural electric cooperatives involved in rural economic development? I believe that there are at least three answers to that question:

A. Each rural electric cooperative is a locally owned and controlled organization that is governed by a board of directors elected by the people that get electricity from the cooperative, and, in fact, own the cooperative. These people have deep roots in their communities, and a strong interest in seeing to it that their area prospers and provides good services and opportunities for them, their children and grandchildren. This aspect of local ownership, involvement, and control is at the base of our activities in local area development.

B. Rural electric cooperatives, as local electricity providers have a vested business interest in working toward the development of their communities. If an area is on the decline, electric sales and revenues are also likely to decline, creating the potential for financial problems. All of the assets (poles, lines, and so forth) of electric distribution cooperatives are fixed in the local communities. The commitment of these cooperatives is also to these local areas. They have neither the ability, nor the desire to move their business elsewhere.

C. In many areas, rural electric systems are one of only a few organizations with the institutional strength and professional staff capable of making a major contribution to the economic development of their communities. It is vital that these cooperatives fully participate in local development alliances. I firmly believe that ALL of the rural organizations with something to contribute must work together if rural areas are to share in the growth and economic opportunities enjoyed by many of our metropolitan areas. Development is simply more difficult to achieve in rural areas. It usually doesn't just happen, as it might in some of the cities. Rural areas can't afford to not have their rural electric cooperatives involved and working in coalitions with other groups to promote local area development.

Senator Heflin and members of the committee, I believe that rural electric cooperatives can be increasingly strong contributors to rural revitalization. By making effective use of this existing network, a great deal of development can occur without incurring large costs to the Government.

Let me touch upon two specific proposals that I hope you will consider for inclusion in rural development legislation:

1. *Economic Development Unit at REA:* There is a very strong need for REA to provide leadership and technical assistance in the economic development area. This is something that can be done within the existing REA budget and it is something that would be tremendously effective in leveraging a small amount of assistance to create a great deal of economic development activity on the part of local electric cooperatives. My experience over many years in the rural electric program is that rural cooperatives—not only in Alabama, but throughout the Nation—look to REA for leadership and technical guidance. An Economic Development Unit at REA would provide clear encouragement and leadership from REA for rural electric cooperatives to get involved in effective ways in economic and community development. This would build on the historic partnership between REA and local rural electric cooperatives throughout this country.

I compliment you, Senator Heflin, for the leadership you have provided in developing and promoting this concept. Forty Senators joined you last year in recommending to the Agriculture Department that this Economic Development Technical Unit be established at REA. Despite the support which you gathered for this and the clear logic of your proposal, it has not yet been implemented. Regardless of whether the new administration finally decides to move forward with your idea, I suggest that any rural development bill passed by your committee should mandate such a unit, and make it a permanent part of the Rural Electrification Act. This is a small and inexpensive measure, but, in my judgment, it would be very effective.

2. *Water and Waste Disposal:* As I mentioned earlier, two rural electric cooperatives in our State—Dixie Electric Co-op and Pioneer Electric Co-op—have established rural water systems which they operate for the benefit of their rural consumers. The availability of safe drinking water and waste disposal is a growing national concern. There is no question that these services are extremely important from a health perspective. It is also critical for economic development because if water and waste disposal are not available in a community, an industry will be unable to locate there, despite its desire to do so. This happens every day in rural areas, and an immeasurable amount of new job creation, employment and income opportunity in rural areas is lost.

I am very proud of what our two Alabama co-ops have accomplished in bringing water and waste disposal services to their areas. But I must say that their accomplishments were not easy. From my vantage point it was clear to me that their task was made much more difficult because of the fact that existing law, and the way that it is administered by the Farmers Home Administration, effectively discourages rural electric cooperatives from becoming involved in providing water and waste services. I find this discouragement unfair, unwarranted, and damaging to rural areas.

When a rural electric cooperative provides water and waste disposal services, the rural community benefits in many ways. Every rural electric cooperative has a staff which day-in and day-out, for many years, has successfully operated a rural utility. The co-ops know how to do this. Many of the aspects (including billing, servicing, general form of organization, and service orientation) of utility operations are very similar, if not identical, for electric and water utility service. In addition, costs to ratepayers are held down because of the economies of scale which result from the fact that the employees and facilities of the cooperative can be used more fully to accomplish tasks for both the electric and the water systems.

I believe that your committee should examine whether changes in Federal law could be made to encourage, rather than discourage, rural electric cooperatives to become involved in providing safe drinking water and waste disposal to rural families. The rural electric cooperatives are an important network of competent organizations that can be instrumental in helping to solve rural water and waste disposal problems. But, for this to happen to the full extent possible, and for the successes of Dixie Electric Co-op and Pioneer Electric Co-op to be replicated in other portions of rural Alabama and the Nation, your committee, and the Congress of the United States will have to send a clear message of encouragement, rather than the present message of discouragement.

My specific proposal is that your committee amend the Rural Electrification Act to permit REA to provide loan funds to rural electric systems to provide water and waste disposal services in rural areas. If a great deal of funds are not available for this, I would suggest that your committee consider targeting these loans toward areas in which the lack of water and waste disposal results in (a) health hazards or other deprivation, (b) industries being unable to locate in rural communities, and (c) electric co-ops suffering a loss of territory, and resulting increase in electric rates to rural consumers, due to condemnation and annexation of territory.

I believe that such an amendment to the Rural Electrification Act, even if funded at low levels and targeted in the manner I have explained, would be a very important first step in sending a message of encouragement to rural electric systems to become actively involved in helping to solve the increasingly serious water and waste disposal problems of our Nation.

Senator Heflin, and members of the committee, I sincerely appreciate the opportunity to appear before you today. I assure you that the rural electric cooperatives of Alabama are ready to work with you in every way to assist in the economic development of the rural portions of our great State. Rural electric cooperatives form an impressive network of locally owned and controlled organizations, not just in Alabama, but in 2,600 counties in 46 States throughout our country. I appreciate your consideration of my suggestions to make more effective use of this network. Again, let me emphasize my appreciation for your support, Senator Heflin, and for the support of this committee. As I stated earlier, without the support of your committee, the rural areas of our State would be far worse off today. I would be pleased to answer any questions that you may have.

PREPARED STATEMENT OF ARLIE POWELL, HORTICULTURIST, AUBURN, AL

FUNDING PROPOSAL FOR AGRICULTURAL WEATHER PROGRAM

A computerized agricultural weather information system has been in operation across Alabama since 1987. The system was jointly developed by the Alabama Cooperative Extension Service and the NOAA/National Weather Service's SE Agricultural Weather Service Center, both located at Auburn University. The purpose of the system is to minimize the impact of the environment on agriculture in the following ways:

- Provide site-specific, short- and long-range weather forecasts and guidance information geared specifically to agricultural and forestry interests;
- Allow more efficient use of freeze protection and irrigation systems to optimize production and profits;
- Permit improved timing (in regard to inclement weather) of agricultural practices such as pruning, planting, harvesting and application of pesticides;
- Allow maximum efficiency of farm labor through using weather information to coordinate and properly time agricultural practices;
- Allow more efficient use of pesticides through the use of pest-weather models to determine the need for pesticides and then utilize weather forecasts to determine optimum conditions for making chemical applications;
- Stimulate further research and testing of crop and animal weather relationships by providing access to real-time and historical weather data;
- Maintain a climatological data base for routine use and to assist other agencies in assessing damage from droughts, freezes and other adverse weather;
- Provide rapid dissemination of agricultural weather observations, forecasts, advisories, outlooks and other critical information; and
- Educate agricultural and forestry interests in how to make better use of weather and climate information.

Weather information is now available to all 67 county agent offices and should soon be available in each Extension specialist's office on the Auburn campus. More than 500 information files are available for downloading to the Extension computer. Most of these files are updated at least twice daily with many updated hourly.

Over the past 2 years, this effort has resulted in a savings to Alabama growers in the millions of dollars by allowing growers to reduce or avoid weather-caused crop losses. Integration of this information into the daily management decisions by growers has resulted in further economic advantages.

Existing resources were utilized in the development and implementation of this project. These resources have been exhausted. However, the potential for more useful information is even greater. The lack of an adequate data processing capability is now seriously hindering the operation of the system. The service now provided for Alabama is also in demand for nearby States who wish to participate in the project or emulate the system in their State.

PURPOSE OF PROPOSED STUDY

Development of the agricultural weather program described below would involve conducting applied studies over a minimum 3-year period. This program would be proven under grower conditions and have immediate application to the industry.

Components of the proposed study are as follows:

A. STRENGTHEN PRESENT PROGRAM

To examine performance of the current system with improvements being made. New computer technology will be used at all points of the system from the counties to Auburn University. An integral part of the new system will be more rapid delivery of timely information on a 24-hour per day, 7-day-a-week basis. This program will be used as a standard of comparison for the proposed advanced weather system described in B. below.

B. CONDUCT APPLIED STUDY ON NEWLY ADVANCED WEATHER SYSTEM

This would involve using a number of pilot counties to develop a streamlined weather program with greatly enhanced capability. This program would:

1. Involve upgrading of computer hardware/software at the NOAA/National Weather Service Agricultural Weather Service Center, Alabama Cooperative Extension Service Headquarters and in selected counties. The improved technology of an MV 7800/XP Weather Service computer along with improvements in Alabama Cooperative Extension Service and county computers will allow models to operate at least twice as fast as previously.

2. Use of additional personnel to assist at each level of development to provide maintenance.

3. Develop instructional booklets and conduct in-service training of selected counties for county agents and possibly some growers on using weather program components.

4. Involve development of more locations, specific to crop areas, for collecting and forecasting temperature and other weather parameters. Would utilize people to monitor value of forecasted temperatures, etc., at each county and maintain records. Hopefully, involve establishment and operation of automatic weather stations and their maintenance. Would allow new data base development.

5. Improve county system for rapid distribution of weather information to growers and other clientele. May involve use of 24-hour recording machines with dedicated lines or PC–PC hook up or other methods.

6. Evaluate program for effectiveness in all areas involved.

7. Publish findings of applied weather use study. Recommend an advanced program for use by entire State and implementation by adjacent States.

PROPOSED FUNDING

Proposed initial funding for this study would be $270,000. It is further proposed this study be funded at the same annual level for a period of at least 3 years.

1. To upgrade the NWS/AWSC Data General S/140 computer to a Data General MV 7800/XP computer, acquire advanced software and other peripheral equipment plus personnel assistance. Proposed funding $70,000.

2. To upgrade present ACES delivery system and evaluate program on statewide basis including equipment and personnel. Proposed funding $50,000.

3. To develop, operate and evaluate newly advanced agricultural weather system (including equipment and personnel) in pilot counties by ACES. Proposed funding $150,000.

PREPARED STATEMENT OF LARRY G. LEE, EXECUTIVE DIRECTOR, SOUTHEAST ALABAMA REGIONAL PLANNING & DEVELOPMENT COMMISSION, DOTHAN, AL

Chairman Leahy, Senator Heflin, Senator Fowler, I am Larry Lee of Dothan, Alabama.

I would like to welcome you to south Alabama and commend you for holding this hearing in an area that will be directly impacted by whatever legislation your committee enacts.

Like many others here today, I have a keen interest in production agriculture. This interest comes from having been raised on a south Alabama farm, having received a degree in agriculture from Auburn University, and from having been an editor with both PROGRESSIVE FARMER and SUCCESSFUL FARMING magazines.

However, my over-riding interest is rural development and the effort you now have underway to develop legislation to help the rural regions of our great country. This interest comes from the fact that I am Executive Director of the Southeast Alabama Regional Planning and Development Commission.

For the past 20 years our agency has served seven counties in extreme southeast Alabama. This is the region affectionately referred to as the "Wiregrass" and it's a region that can best be described as peanuts, pine trees, and poor roads.

This seven-county region contains 281,000 people and 55 municipalities. Of the 55 cities, 44 of them have less than 3,000 residents and in 19 of them, more than 50 percent of the residents are of low and moderate income.

In 1986, the Commission on the Future of the South issued the report HALFWAY HOME AND A LONG WAY TO GO. This report said, "the sunshine on the Sunbelt has proved to be a narrow beam of light, brightening futures along the Atlantic seaboard, and in large cities, but skipping over many small towns and rural areas."

A realistic appraisal of southeast Alabama gives one little room to refute this statement.

For example:

- In our region, 29.3 percent of the adults have no more than an eighth-grade education.
- While the Nation's economy is moving from manufacturing to service, our regional economy is not, and much of our manufacturing is centered around nondurable goods, especially apparel. In 1988, the apparel industry had the lowest wage rate of any industry in the manufacturing sector with an annual average of $11,700.
- Per capita income for Alabama is 78 percent of the national average and per capita income for our region is only 92 percent of the State average.
- Between now and 1995, our aging population will grow more rapidly than both the State and national average. By 1995, 14.4 percent of our citizens will be over 65.

The situation I've described is not unique to southeast Alabama. Similar conditions exist throughout this State and Nation. For instance, figures from the Alabama Development Office show that in 1988, 52 percent of the new jobs created were in 10 counties that contain only 46 percent of the State's population. And 9 of these 10 counties are in urban areas.

Therefore, the concern the Senate Agriculture Committee has for rural America is certainly justified and your concerns are shared by the 7 county governments and 55 city governments our agency works with daily.

These county commissioners, mayors and council members fully understand that Government programs must be a part of the solution to rural economic problems because these programs stimulate private sector growth, creating jobs and vitality in their communities.

With the loss of revenue sharing and reduction in other programs, small local governments depend more than ever on our development district staff for planning and technical assistance.

Within the past year our regional planning commission has helped two of our counties become designated as enterprise zones, we've conducted a regional industrial developers tour, we've begun working with Henry County to develop an economic development strategic plan, we've put together a loan package for an industry in Andalusia that will employ 20 people, we've helped Headland acquire an industry employing 25 people, we've secured an economic development infrastructure grant for Samson to run sewer to an industrial park.

Our agency, as well as the other 11 regional commissions in Alabama that serve all of our 67 counties, has a proven record of service and an established delivery system. The same is true throughout both Vermont and Georgia, as well as the Nation.

And as Federalism has come to mean Federal inaction, rural America has come to rely more and more on multicounty organizations for answers to its development needs. Therefore, we are excited that Congress is considering providing the necessary resources to help rural areas turn problems into opportunities.

In your deliberations, we urge you to give first consideration to those agencies and programs which are already in place as the most logical partners in this effort.

The Farmers Home Administration has the authority to fund strategic planning, infrastructure improvement, and small business assistance. The institutional infrastructure to implement rural development programs is already in place. What is lacking are adequate resources.

For example:

Section 111 Planning and Technical Assistance grants provide funds to public bodies and non-profits for strategic planning and technical assistance. Section 111 has not received funding since 1981.

The Water and Waste Disposal Planning Program funds the preparation and planning for water supply and waste disposal systems. There has been no funding for this program since the 1970's.

There are also in place programs such as: Water and Waste Facility loans, Water and Waste Facility grants, Community Facility loans, Business and Industry Development grants, Business and Industry guaranteed loans, Rural Enterprise loans, and the Intermediary Relending Program.

We don't need to reinvent the wheel. We simply need Congress to exercise oversight over the administration of existing programs and seek renewed commitment from those charged with carrying out this administration.

Again, welcome to Alabama and thank you for this opportunity to testify.

PREPARED STATEMENT OF DON WHORTON, HOLSTEIN FARM, WETUMPKA, AL

I would like to submit this written testimony to you and the Senate Agriculture Committee for the record concerning the field hearings being held throughout the South.

I am the sole owner of a dairy farm, which I purchased in 1968, and have developed into a 300-cow operation that is among the top in our State. During these years I have taken an active part in those organizations relating to my industry and have assumed positions of leadership. Presently I am serving as President of the Alabama Holstein Association (the Holstein cow represents 90 percent of the dairy cows in our State) as well as a member of a 10-member task force for the National Holstein Association. Through activities and events of these groups, as well as several other associations such as the Alabama Farmers Federation, as a member of the State Dairy Committee and its Past Chairman, the DHIA and ADA, I have had many opportunities to meet with other dairymen from my State, area, and Nation.

Well-known problems of overproduction and past measures to try to make corrections are often topics discussed in depth. I feel the vast majority of dairymen know the only solution lies in some kind of supply management plan and are in favor of such.

The efforts to curb production, through lowering support price, creates a spiral that increases instead of decreases the supply. The only option the individual or industry has to over come a price decrease, is to increase per cow production, therefore the supply increases, creating more milk and more problems.

Logic tells that the excess milk situation will be enhanced by better genetics, better herd management, and new technology such as the controversial hormone bST, designed to increase production per cow. With the right plan dairymen and Government can benefit from marketplace demand rather than let excess supplies keep farm prices decreasing and Government expenses increasing.

I realize that many different circumstances in different regions of the country would make supply management complicated, but certainly our political leadership and our industry is capable of developing a workable system. The peanut, tobacco, and to some extent cotton, industries have successful systems of supply management.

During the past year I have been on farms in Canada and Puerto Rico, which operate under supply management programs. They are progressive, optimistic, and making a good return on their investment, things which are hard to find here today in our industry. A survey of consumer prices showed a slight increase over our prices, but the farmer's price in some areas is almost double our price.

Government tells us that we must compete on the world market. A market that is controlled by quotas. How can we compete if our system is not also governed by an orderly controlled program?

You, as our leadership of an ever decreasing farm population, in a Government elected by a consumer oriented society, certainly face obstacles that often appear unsurmountable. I have no doubt that a supply management system will offer the best possible solution for decreasing Government spending, stabilizing the dairy industry, and consumer protection.

Senator Heflin, please know that your support of Alabama agriculture and the dairy industry in our State is genuinely appreciated. I am sure that making agricultural policy decisions offer a challenge due to the nature of the business where one commodity's gain may often be detrimental to another. Your concern, actions, and support are appreciated and we look forward to your leadership and service in years to come.

PREPARED STATEMENT OF CARTER J. SANDERS, ROUTE 1, GOSHEN, AL

I am Carter J. Sanders of Pike County, Alabama.

I farm in a family operation that produces peanuts and cotton as the principle enterprises. I also service as chairman of the State Young Farmers Committee of the Alabama Farmers Federation. I would like to thank you for this opportunity to speak to about my concerns about the next farm bill.

As chairman of the Young Farmers Committee, I am aware of the decline in the number of young farmers entering the industry. I would like to ask that this committee take into consideration the impact that a change in the farm bill will have on young farmers in this country. I do not ask for special considerations just for young farmers, but for all farmers because what helps or hurts young farmers also affect all farmers.

One thing that I like about the 1985 farm bill and would like to see in the 1990 farm bill is the 5-year life of the program. With 5 years of known life for a farm bill, a young farmer or any farmer is able to make better plans and obtain financing for new equipment, land purchases, or general operating expenses. This helps to make it possible for young people to enter the business and keep our rural communities alive and vital.

Also, if major cuts are going to be made in the farm bill, a gradual decline such as the one in the target price of the 1985 farm bill is less damaging to farmers but especially to young farmers. If those cuts can be made over at least 3 years, all segments will have more time to prepare for the change and hopefully avoid some of the farm failures and bankruptcies that have plagued the farming industry for the past few years. The infrastructure of America's agriculture has been put to the test these last few years and has survived as a leaner industry, but I think that now is the time for a steady course and a continuance of many of the provisions of the 1985 farm bill so that agriculture can find the new balance in the global marketplace.

Again, I would like to thank you for allowing me this opportunity. Thank you.

[Material supplied by Women Involved in Farm Economics [WIFE] follows:]

WOMEN INVOLVED IN FARM ECONOMICS,
ROUTE 1, BOX 103, SHORTER, AL
April 24, 1989.

Honorable HOWELL HEFLIN,
Committee on Agriculture, Nutrition, and Forestry, 728 Hart Building, Washington, DC.

DEAR SENATOR HEFLIN: WIFE appreciates the opportunity to be a part of the 1990 farm bill field hearings.

I have attached a copy of our position paper which gives a good overview of our Association's position on agricultural issues.

As farm women we are interested in actively promoting and protecting our Nation's number one industry.

We appreciate your support and the work you do in behalf of Alabama's and the Nation's farmers.

Sincerely,

MARJORY JOHNSON,
President, Alabama WIFE.

Attachment.

WOMEN INVOLVED IN FARM ECONOMICS—1988 WIFE POSITION PAPER

The 1988 WIFE Position Paper is prepared as a summary of the Resolutions found in the National WIFE Resolution's Book and is to be used as a working paper for WIFE Officers, our Legislators, the Media, our Supporting members, and each individual member in their WIFE endeavors.

GENERAL

WIFE members wear the color RED when possible while participating in public WIFE activities to emphasize the fact that farmers and ranchers have operated in the "Red" for years. Red is WIFE's official color.

WIFE devotes their efforts to bring together appropriate agricultural agencies and organizations within their respective States to study the status of agriculture in order to identify problems limiting future growth, economic stability, and development of agriculture. WIFE strives to develop strategies and alternatives to ensure farmer profitability.

MEDICAL

WIFE is highly concerned about the high malpractice premiums the medical field must carry. It is rapidly reducing service, especially obstetrical care, to our Rural Areas. WIFE urges other organizations, including health care organizations to promote legislation to ensure obstetrical care be provided in Rural America and WIFE urges legislators and insurance companies to revise claim limits and costs of malpractice insurance.

CROPS

Dry edible beans

Dry edible beans are a major agricultural crop in many States and should not be considered an "alternative crop."

Dry edible beans are not included in the present farm program so they are referred to as a "non-program crop."

WIFE opposes any program that places a program commodity in competition against a non-program commodity, and believes that an agricultural impact statement should be made before a new program is instituted (Resolution 112A).

WIFE encourages the awareness and monitoring of legislation that could adversely affect dry edible beans and other non-program crops.

Hay

Whereas Hay is not a Government subsidized crop, WIFE urges the Government not to enter the hay grading business.

Soybeans

The most immediate need of Soybean producers is to get some type of income protection for soybeans until we can pass through this transition period. WIFE feels this can be best accomplished through a marketing program that would eliminate stock buildup and help keep market prices competitive for U.S. soybean farmers. We feel this must be implemented within the year so that soybean farmers, especially in the hard hit Southeast, can experience some relief. U.S. producers need to be able to continue to produce instead of continuing to give up markets to other countries.

WIFE supports the development of a Soybean Logo to identify products containing soy oil so the consumer can readily identify Soy Products.

WIFE supports the long term goal of Soybean producers to get some type of labeling on packages, so the consumer will get a clear understandable identification of the various oils used in products.

WIFE feels that these are workable, attainable goals and can be achieved by personal contacts, letter writing, and publicity.

Cotton

All WIFE members are urged to use and promote the use of cotton, wool, and natural blend fibers. WIFE favors expanding the current law to include the point of origin of the raw cotton spun into all imported apparel and textiles. WIFE supports the cotton impact clause to be triggered on the carryover inventory instead of price. WIFE favors a long range Government agricultural program which will establish and protect a price recovery system for our commodities at the marketplace that allows a profit to the producer.

Sugar

The 1985 farm bill requires that the Sugar Program be operated at no direct cost to the Government. This is done by mandating a support price of 18 cents a pound for Raw Sugar. If the world price falls below that level, quotas for imported sugar are reduced until domestic prices reach a 18 cents per pound level. Sugar producers want the program as it is now written.

Peanuts

WIFE endorses the peanut program as it stands in the 1985 Food Security Act and recommends it be maintained as a program that works for producers and minimizes Government costs.

WIFE supports a quota pound system that balances production with domestic consumption at an equitable profit level for all segments of the industry.

The support price for quota peanuts is based on cost of production. WIFE, therefore, urges USDA to use the same formula for determining cost of production during the length of the program and to use statistics from a dependable source of research.

The 1985 Food Security Act extended the deadline date for additional peanuts to be contracted from March to August. Peanuts not contracted with shellers must go in the loan at a low support price. WIFE supports the extension.

Additional peanuts are for export, and their price is based on world market price which is below the U.S. cost of production. Quota peanuts and domestic markets are far more valuable to producers, and we urge that promotion and research directed at domestic markets be given priority.

Communication and a good working relationship among the various segments of the peanut industry is vital to all, and we want to continue to improve that relationship.

Grains

Corn

WIFE should be aware and knowledgeable of any State or national legislation relating to Ethanol. Any promotion of Ethanol will increase the demand for corn. Also, be concerned about legislation regarding tax incentives for Ethanol production. Contact your Government representatives regarding any such legislation.

WIFE challenges the USDA to strengthen the inspection of all commercially stored grains (page 47).

WIFE supports legislation which establishes the use of biodegradable material in the production of disposable products (page 47A).

WIFE supports legislation that creates increased funding for research in finding new corn based products and to develop more efficient corn refining techniques (page 47B).

Wheat

WIFE endorses the spirit of the current farm bill in its objective of maintaining an economical and abundant food supply for the American people while providing an adequate income for the producer.

WIFE supports the following priorities for 1988:

(1) CCC redeemed wheat should be processed into ethanol.

(2) Maintain the Export Enhancement Program (EEP) and vigorously pursue other export programs authorized under the Food Security Act of 1985.

(3) Freeze the Target Price at 1987 levels.

(4) Commodity specific certificates should not exceed 5 percent of the certificates issued; remainder of certificates should be generic. WIFE prefers 100 percent generic.

(5) Work for a more accurate system of grading.

(6) Develop a better system of measuring protein levels.

(7) Support a continued program to ensure producer stability while developing favorable marketing conditions.

(8) Oppose a triggered ARP (Acreage Reduction Program) for wheat.

(9) Issue at least 30 percent of advance deficiency payments at time of the signup for the 1988 wheat program.

(10) Guaranteed interest at the current market rate, to be paid to producers whose contracted payments are not met by U.S. Government agencies.

Rice

WIFE supports the Rice program as long as there are surplus supplies and encourages the continuation of PL 480. WIFE supports striving to obtain competitive world markets.

Tobacco

Whereas the Tobacco program is self-supporting, WIFE recommends that the current program be continued and that Government grading be uniform throughout the tobacco marketing area.

EDUCATION

WIFE supports that all State associations encourage the development of a State Task Force for the "Agriculture in the Classroom" project. This resolution will be our main focus in 1988. Through the use of our State education chairperson, we will accomplish this. We plan to be actively involved in our States and help those not organized to get a task force started (Res. No. 51).

WIFE supports the promotion in education of young children in the importance of farm fresh foods (Res. No. 50).

WIFE supports efforts to redirect the priorities of land-grant colleges and universities to focus on the marketing system and international trade as a means of helping to solve economic problems of farm and rural America (Res. No. 53).

WIFE supports the change in the regulations for eligibility taking into account only the net income and liquid assets of the parents. Gross income and fixed assets are falsely interpreted in regard to the student's need for financial help (Res. No. 54).

WIFE opposes the use of public moneys for the teaching of "animal rights" in Government funded materials or television programs (Res. No. 57).

ENERGY

WIFE renews its dedication to continue the Ethanol awareness campaign stimulated by the 1987 convoy and conference.

WIFE will help inform the American public that the use of Ethanol could be one major solution to ease the foreign trade deficit, world hunger, U.S. unemployment, air pollution, and agriculture surpluses, so all of America will understand how Ethanol affects them (Resolution No. 69A).

WIFE's Long-Term Goals include:

(1) Developing agricultural products, including oilseed crops as fuels (Resolution No. 69).

(2) Encourage the development of cars that can be powered on straight Ethanol (Resolution No. 69B).

(3) WIFE supports the extension of the legislation that supports the excise tax exemption and will monitor the consideration of such Legislation (Resolution No. 69D).

(4) WIFE opposes Legislation that would allow the importation of Ethanol Duty free (Resolution No. 69C).

(5) WIFE works for the utilization of distiller's grains to meet nutritional needs in the diets of all people (Resolution No. 28).

WIFE supports Agriculture as having the highest priority in the use of gas, fuel oils, and electricity in the event of any shortages.

WIFE will strive to attain their 1988 Goals by promoting Ethanol in trade shows, fairs, and during Ag Day activities as are available to them. By convoying to pollution areas to draw attention to Ethanol's cleaner burning fuel and by serving Distiller's grains foods.

FAMILY FARM AND TAX POLICIES

Farm credit

WIFE urges Congress and the President of the United States to initiate legislation to develop massive agricultural debt restructuring (Resolution No. 77A).

WIFE strongly urges the establishment of an interest rate policy through which all agricultural lending agencies will make available to all agricultural borrowers the same minimum interest rates that are in direct relationship to the rates set by the Federal Reserve Banking System, and that these rates must be made available until commodity prices reach a profitable level and stabilization occurs (Resolution No. 77B).

WIFE supports:

(1) WIFE supports a policy that allows the landowner who has lost his land through foreclosure the right of first refusal to rent or buy back the property.

(2) WIFE encourages all lenders involved in financing and refinancing a farm or ranch to aggressively pursue debt restructuring.

(3) WIFE supports financial assistance to the FCS which includes Legislation for American Agriculture which would result in historical Parity prices for all commodities.

Taxes

WIFE supports legislation that would allow self-employed people to deduct one-half of their health insurance premiums as a business expense.

WIFE requests the reinstatement of the Capital Gains deduction, Investment Tax Credit and Income Averaging for Farmers and Ranchers.

WIFE supports tax reform that would allow sales of property between relatives at an interest rate to be determined by the parties involved.

WIFE opposes any Sovereign Nation within the boundaries of the United States to have the authority to tax non-Indians doing business, owning patented deeded land on Indian reservations, and/or living within the reservation boundaries.

GOVERNMENT AGENCIES AND REGULATIONS

Natural resources

Air, Water, and Soil are of vital concern to WIFE. We feel all consumers benefit daily by an abundant food supply. *Education* is going to be our theme in 1988. WIFE hopes to educate ourselves and others to assure safe food and fiber supplies. WIFE will strive to encourage the use of proven data opposed to human emotions in regulations that govern our industry.

WIFE will endorse research into biological control of weeds and insects.

WIFE will encourage more use of cultural control methods.

WIFE opposes the aquifers being unnecessarily depleted by industry that doesn't require fresh water.

WIFE will help in determining what the role of Agriculture is in guarding against pollutants in our ground water.

WIFE maintains that information being circulated about pesticides and chemicals be factual rather than biased.

WIFE supports education procedures that will decrease any misuse of chemicals.

WIFE opposes unfair regulations that hold agriculture liable for damages which occur to air, water, soil, or animals if all labels were properly observed.

WIFE opposes hazardous or nuclear waste repository sites in agricultural and/or water resource areas.

WIFE favors the delay of the implementation of the Endangered Species Act until facts are correct and maps accurate. We hope to work with farm, pesticide, commodity, and public interest groups to deal with this issue.

HAZARDOUS AND TOXIC WASTE

Public awareness is greatly needed to understand the issue. Hazardous and Toxic Wastes are dealt with at city, county, State, and national levels. Any cleanup costs are to be covered by Superfund which is created and funded by Congress. Landfills, discarded tires, PCB spills, industrial liquid wastes, and toxic chemicals are examples of Hazardous and Toxic Waste. It is a separate issue from the High Level Nuclear Waste. Each State is required to take care of their own low-level nuclear waste. (Some States have a compact formed with other States, *for example:* Oklahoma, Arkansas, Kansas, and Louisiana contract with Nebraska to be the dumpsite State.) WIFE believes this site needs to be monitored very carefully by a citizens group to make sure the DOE is following the guidelines and also that transportation needs to be monitored in every State again to make sure the law is being followed. The chairperson needs to educate and build a public awareness of what is going on.

NUCLEAR WASTE—HIGH LEVEL RADIOACTIVE WASTE

WIFE is dedicated to keeping all high level Nuclear Waste sites out of rural areas where it threatens Agriculture and water resource areas, and make all Nuclear plants and companies recycle and reuse all their own waste.

LEGISLATIVE

The definition of a "person" should be one which looks into all entities such as corporations and partnerships to accrue the percentage of involvement of each entity to the person involved. Any person shall be eligible for a payment limitation if they are 18 years of age and are at risk in a farming operation. A wife is a separate person and should have the same rights as any other person to qualify for a separate payment limitation.

WIFE requests that a provision be implemented to compensate producers (such as paying interest) when CCC payments are late.

An Under Secretary for Agricultural Affairs should be appointed in the State Department, to be an advocate for agriculture and a watchdog for fair trade practices.

Farm programs

WIFE supports cross compliance provisions for participating commodities and opposes any program which would place a program commodity in competition against a non-program commodity.

WIFE opposes giving lenders the ability to place inventoried land into the CRP, and in the event lenders *are* allowed to do so, WIFE opposes any removal of payment limitation or relaxing of guidelines.

Grazing fee formulas on public lands should be set, taking into account the cost of production and the market price.

All farm programs should include disaster payment provisions.

CCC warehouse supplies and fresh farm products should be substituted for food stamps and food distribution programs when possible.

Short term FmHA and SBA emergency and disaster loans should be converted to long-term loans.

Set-aside acres

A consistent and constant NCA is necessary to implement an efficient, fair, and realistic set-aside in a bushel allotment program. Once established this NCA may not be decreased.

Each farmer should be able to divide his NCA into base acreage that best suits his land and farming practices.

Permanent grass and trees may qualify as set-aside and should not result in loss of NCA. Grass acres shall not be grazed, hayed, or harvested.

In order to diversify a farmer should be able to raise non-program crops without losing NCA.

Long-term policy

WIFE supports legislation which would establish a revolving fund in the USDA with which to implement the CCC loan programs, thereby taking the funding of the CCC loan programs out of the supplemental budget process.

The USDA should return to its original purpose of representing the American producers and not the urban consumers.

Standing policy

Parity

WIFE supports 100 percent of parity for all agricultural commodities, to be received from the marketplace, not from Government payments. Parity is the ratio of what producers sell in relationship to the goods and services they must buy.

WIFE urges Congress and the USDA to use specific language when writing legislation and regulations, in order to avoid misinterpretations.

WIFE supports a balanced budget amendment and opposes any salary increases for Congress until the budget *is* balanced.

Embargoes

WIFE opposes any embargo of agricultural products for political purposes except in the case of a national emergency. In such a case we request that *all* products and technology be embargoed and steps taken to ensure that American products do not reach the offending nation through a third party.

Compensation shall be provided through the State of Defense Department budgets to all U.S. agricultural producers in cases when commodities are used as weapons in setting foreign policy.

Furthermore, we are opposed to any artificial embargo.

WIFE supports the REA programs and urges Congress to continue its support of this important program.

LIVESTOCK

The U.S. Food and Drug Administration should prove that antibiotics and drugs used to promote animal health through feeds are harmful or dangerous to humans who consume meat of treated animals before banning such antibiotics (Resolution No. 130).

WIFE supports the use of 1080 to prevent the spreading of parasites from predators to other animals until something better is established (Res. No. 132).

WIFE supports humane treatment of all animals, but opposes legislation or guidelines at any Government level that grants "rights" of animals—and WIFE pledges to inform the public that farmers treat animals in a humane manner. and that harm can be done by changing the basic methods of production currently used in the food and fiber industry (Res. No. 132). WIFE opposes radical Animal Rights issues (Res. No. 136A) and urges all educational and nutritional materials being introduced by the Animal Health, Vegetarian, or Humane Society groups be carefully screened by qualified educational personnel (Res. No. 136). WIFE opposes public moneys being used for teaching "animal rights" in Government-funded materials or on Government supported TV programs (Res. No. 57).

WIFE supports legislation that declares irradiation of food, a process not an additive, and will support efforts authorizing additional research and development of the process and promotion of commercial and consumer acceptance (Res. No. 121).

Beef

WIFE opposes additional Federal or State restrictions upon ranchers restricting vaccinations or limiting vaccines currently being used by cattlemen (Res. No. 133).

WIFE recommends the USDA abandon consideration of the word "upgraded" and that labeling and grading of beef be required for the purpose of uniformity (Res. No. 140).

WIFE insists on the same strict standards on imported beef as U.S. beef, and that country of origin be restricted to use of pesticides and animal drugs allowed in the United States, and be labeled as to point of origin and type of meat throughout the entire food distribution process (Res. No. 142).

WIFE supports rotation of Federal meat inspectors in order to maintain honest, impartial inspection of meat processing facilities (Res. No. 145A).

WIFE supports the revision of restrictive standards of the Delaney Clause and related food safety laws to be acceptable to both producer and protect consumers (Res. No. 145).

WIFE resolves to work with other farm organizations, Congress, and the Commodity Futures Trading Commission to discontinue livestock futures market, and should all efforts fail, continue to work for changes: Officers of brokerage firms or officers trading in livestock futures be prohibited from trading in said markets; achieve balance of long and short hedges by including boxed beef or carcass beef as price mechanism for forward contract selling of meats; restrict number of contracts for fat and feeder livestock combined to no more than 125 percent of number given in USDA January—livestock report each year; restrict number any one trader could hold; only those owning livestock may trade in livestock futures (Res. No. 146).

WIFE supports legislation to allow a reduction in the amount of red meat imported into the United States from foreign sources (Res. No. 148).

Any dairy livestock herd dispersal should include orderly marketing through a monthly quota system (Res. No. 148).

Dairy

WIFE recommends legislation requiring Government agencies to establish that a pollution problem exists before imposing construction of waste control systems on livestock and poultry producers, and that zero-discharge provisions be repealed and that a more reasonable standard be adopted (page 154).

WIFE supports legislation whereby the consumer will be protected against deceptive packaging, displaying, and labeling of imitation and filled milk and dairy products, and IMITATION should be printed in the same size as the product imitated. Also that all imported dairy products must meet the same sanitary and health standards as those produced in the United States (pages 155 and 161A).

WIFE strongly endorses continuation of the National School Lunch Program and Special Milk Program, using only whole milk, and promote the use of dairy products in institutions and Armed Services. The USDA operates an extensive program of distribution of stored surplus dairy products, principally cheese and dry milk, to persons qualifying because of income levels or age; and if fluid milk and other fresh dairy products were also made available under this program, such persons would consume more dairy products, enhancing their nutritional levels and also removing additional dairy products being purchased by the Federal Government's CCC, and the retail food products and consumer products industry has demonstrated that the use of coupons is an efficient and effective means of distribution of products to consumers at reduced or no cost. WIFE urges the USDA to broaden the surplus dairy product distribution program by issuing coupons redeemable for fluid milk and fresh dairy products to eligible persons (pages 156 and 161).

The amount of dairy imports being imported from European countries, which heavily subsidize their own dairy industries, is in direct competition with American farmers. Since Casein has been declared to be a dairy product, WIFE proposes legislation to reduce these imports, and mandates that these products be subject to import quotas (page 157).

The research on the Bovine Growth Hormone has been done on only a relatively short-term basis and on a limited number of animals, WIFE recommends prior to a FDA decision, more long-term research be done on a larger number of cattle and studies be made to show what effect BGH's use and misuse will have on those consuming dairy products from treated animals (page 159).

Pork

WIFE urges the pork board to continue its efforts in promotion of pork (Res. No. 153).

No SBA loan program should give preferential treatment of large scale absentee owners so as to place family livestock operators at an unfair disadvantage (Res. No. 152).

Sheep

WIFE supports action against lethal control of predators on Federal lands (Res. No. 151).

WIFE opposes reduction of tariffs on imported wool (Res. No. 150).

Wildgame

WIFE supports legislation that requires uniform inspection and labeling laws for all domesticated wild animals and birds for sale and foods processed from them.

WIFE supports a requirement that Imported Venison be required to meet U.S. imported red meat standards, and be in compliance with Wholesome Meat and Meat Import Acts, and that venison imports cease until amendments to those acts are considered by Congress (Res. No. 147).

MARKETING AND TRADE

WIFE requests Congress and the administration to address the balance of trade deficit and the loss of jobs created by imports for all U.S. industries.

WIFE requests Congress and the administration take positive steps to promote the sale of U.S. agricultural products including value-added products in world trade.

WIFE supports legislation that restricts or limits U.S. contribution to financial institutions that make loans to foreign countries for production of agricultural commodities that are in surplus in the United States.

WIFE opposes further extension of agricultural aid to those Third World countries when that aid is used to develop their export markets in direct competition with American farmers.

WIFE opposes dumping of imports in direct competition with our domestic producers simply to drive prices down.

TRANSPORTATION AND COMMUNICATIONS

WIFE maintains that the majority of agricultural producers pay the freight charges on all that they produce and all that they use, without being able to pass those costs on.

WIFE maintains that deregulation benefits only those areas where there is sufficient inter- and intra-modal competition.

WIFE maintains that there should be a basic transportation system which would make both freight and passenger service accessible to all citizens at a reasonable cost.

WIFE supports the continuance of an Office of Transportation within the USDA (Res. No. 173).

WIFE supports all legislation that will require the ICC to enforce the intent of Congress when it passed the Staggers Act in 1980, with protection for captive shippers (Res. No. 179A).

WIFE supports the standardization of the highway laws for commercial trucking, including axle weights and lengths, and applaud the efforts to improve safety on the highways by allowing only one commercial license for drivers (Res. No. 172).

WIFE opposes mandatory commercial licenses for drivers of vehicles exceeding 26,001 pounds GVW that are used primarily by agricultural producers hauling their own production to market.

WIFE is concerned about the laws pertaining to Cargo preference urging monitoring to ensure that clean shipments and no loss of exports of our commodities are attributed to these laws (Res. No. 178).

WIFE supports continued work on the updating of locks and dams on the waterways, to ensure intermodal competition (Res. Nos. 171 and 177).

WIFE opposes the sunsetting of the ICC—and believes that there is still a need for an unbiased regulatory agency, and urges that at least a simple majority of the Commissioners be appointed from industries that are currently regulated in some way (Res. No. 176A).

WIFE is opposed to any further increases in the "User's Fees" on the waterways.

WIFE supports the installation of reflective material on both sides of the crossarms on all public, unprotected railroad crossings. This is an extremely attainable goal and deserves immediate action.

WIFE supports continued research into utilizing pipelines for the transportation of commodities in congested areas.

Wheat

WIFE is highly concerned about the prospect of recreating surplus supplies that are just now being brought to a more manageable level. These increases in surplus would lead to higher budgetary expenses, lower market price, and instability in the financial sector. We strongly oppose the decreasing of the 27½ percent set-aside to a 10 percent set-aside all in 1 year.

- Each 5 percent increase in acreage will raise the Federal budget cost by $400 million (Office of Management and Budget).

PREPARED STATEMENT OF L.D. FITZPATRICK, HOPE HULL, AL

The Federal Cooperative State—Federal Brucellosis Program has been in operation since 1934. The Federal Government has spent some $1.4 billion from 1934 through 1988. In addition, State Governments and producers have expanded billions more dollars to control and eradicate this disease.

We are finally at a point where we can see the light at the end of the tunnel. There are fewer than 2,300 herds under quarantine and with an accelerated or rapid completion plan we can complete the job of brucellosis eradication.

The objective of the Rapid Plan are to:

1. In 2 years, have *no* brucellosis infected herds in quarantine.
2. In 5 years, have all States class free or qualifying for class free.

Because current infection levels are low, a significant short-term acceleration of the program can accomplish complete eradication of the disease.

We urge that sufficient funding be made available to complete brucellosis eradication.

A copy of the plan is presented for your information.

[The Plan for the Rapid Completion of Brucellosis Eradication follows:]

PLAN FOR THE RAPID COMPLETION OF BRUCELLOSIS ERADICATION

MARCH 10, 1989

Plan for the Rapid Completion of Brucellosis Eradication.

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FOREWORD

The State-Federal cooperative brucellosis eradication program has been successful in reducing the incidence of disease in the United States to a very low level. Eliminating the last vestiges of infection and achieving complete eradication will require a concerted effort on the part of industry, the States, and the Federal Government. A review of alternative program approaches may be required to ensure that activities critical for achieving program goals receive appropriate emphasis during final eradication efforts.

The purpose of this report is to present a plan for the rapid completion of brucellosis eradication. The plan was developed as a response to a request by the National Cattlemen's Association, and is intended to stimulate further discussion among concerned industry and public agencies. As a response to a request, the plan should not be viewed as the policy of the U.S. Department of Agriculture for eradication of brucellosis.

The plan focuses on changes in program emphasis and funding in the Federal role of the overall eradication effort. It assumes that funding and other support from the States and industry for the brucellosis program will continue until eradication is achieved.

EXECUTIVE SUMMARY

BACKGROUND

Brucellosis is an infectious, reproductive disease which results in stillbirths, abortions, light calves, and reduced milk production. In livestock, it is a disease of economic significance to cattle, bison, and swine. In addition, wild populations of bison, elk, and swine are carriers of the disease. Brucellosis constitutes a public health threat by causing undulant fever in humans. The disease represents a major economic problem to the beef, dairy, and swine industries, consumers, and related agricultural industries.

The State-Federal cooperative brucellosis eradication program commenced in 1954. The current rate of brucellosis incidence in the United States is 0.22 percent, with the highest levels of infection located in the Southern States. With long-established animal diseases such as brucellosis, the last vestiges of infection are the most difficult and costly to eradicate. A concerted effort is required to locate unobtrusive pockets of infection and provide assurances to stakeholders that full eradication is preferable to an approach that only "controls" the disease at a low incidence level.

OBJECTIVE OF THE RAPID COMPLETION PLAN

The objectives of the Rapid Completion Plan are to:

1. In 2 years, have no brucellosis infected herds under quarantine.
2. In 5 years, have all States Class Free or qualifying for Class Free classification.

Because current infection levels are low, a significant short-term acceleration of the program can accomplish complete eradication of the disease. Past economic studies in the United States and Canada, as well as program experience in Canada, show that activities designed to eradicate brucellosis quickly are more cost beneficial than any other approaches to controlling or eradicating the disease.

TECHNICAL PLAN

The basic operational structure of the brucellosis eradication program has been in place for approximately 20 years. This structure consists of three major components: surveillance, prevention, and eradication. The Rapid Completion Plan would accelerate or initiate selected critical activities within the current operational structure in order to achieve the plan's objectives. These accelerated activities include:

a. State program technical reviews.
b. Enhanced First Point Testing.
c. Increased adjacent and contact herd testing.
d. Increased epidemiology testing.
e. Mandatory adult vaccination.
f. Increased depopulation.
g. Use of local task forces for area testing where required.
h. Increased training in high incidence States.

The plan's basic operational logic is as follows:

1. Development of State and national program goals to guide and motivate State and industry personnel;
2. Rigorous technical reviews of individual State programs;
3. Immediate follow-up/reinforcement of State technical review recommendations (e.g. with personnel, training, depopulation funding, equipment) as required;
4. Continual monitoring of program progress through an enhanced surveillance system.

BUDGET

The Rapid Completion Plan will require funding for both a "core" program that maintains a basic brucellosis program infrastructure of surveillance, prevention, and eradication (e.g. personnel, regular indemnity, testing); and accelerated activities that focus on locating and eliminating infection. A breakdown of the plan budget is presented below:

PLAN FOR THE RAPID COMPLETION OF THE BRUCELLOSIS ERADICATION PROGRAM BUDGET BY ACCELERATED AND CORE ACTIVITY

[Dollars in million]

Activity	(6 mos) FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Depopulation	$26.30	$28.70	$24.10	$8.90	$2.30
Training	.04	.12	.08		
Surveillance	3.00	3.00	2.50	1.00	1.00
State Technical Reviews	.08	.08			
Task Force Operations	.40	.80	.40	.10	.10
Program Management and Support	2.80	3.26	2.36	1.60	.54
Subtotal	32.62	35.96	29.44	11.60	3.94
Core Program	55.80	55.80	55.80	35.00	35.00
Total	88.42	91.76	85.24	46.60	38.94

A major goal of the Rapid Completion Plan is to have no brucellosis infected herds under quarantine in 2 years. This goal is projected to be achieved in mid-FY 1991. Projections of new reactor herd detections indicate that by FY 1992, the core program can begin to focus exclusively on surveillance activities—with a corresponding decrease in cost. Funding for selected accelerated activities will be required after FY 1991 as "residual" infected herds are found and depopulated.

REVIEW OF ALTERNATIVE APPROACHES

Three other alternative approaches were reviewed in addition to the Rapid Completion Plan. These alternatives were:

1. Continuation of the *Current Federal 5-Year Plan,* begun in FY 1986, which envisions a Federal funding level of $55.8 million in FY 1989 and FY 1990, and annual funding of approximately $35 million beginning in FY 1991 for surveillance, enforcement, and reporting.
2. Annual Federal program funding at the current *$55.8 million* level.
3. Annual Federal program funding at the FY 1988 *$65.6 million* level.

The alternatives were compared in terms of projected infection levels over time. Under the *Current Federal 5-Year Plan,* Class Free Status for all States may never be attained. Infection rates would likely begin to increase 2 to 3 years after the Federal role in the program is reduced in FY 1991. All States could be Class Free (or qualifying for Class Free status) by the year 2000 under the *$55.8 million/year* alternative, and by the year 1996 under the *$65.6 million/year* alternative. The *Rapid Completion Plan* would achieve this goal by 1993.

BRUCELLOSIS PROGRAM BACKGROUND

CURRENT STATUS OF THE DISEASE

Brucellosis is an infectious, reproductive disease which results in abortions, stillbirths, light calves, and reduced milk production. In livestock, it is a disease of economic significance to cattle, bison, and swine. In addition, wild populations of bison, elk, and swine are carriers of the disease. Brucellosis constitutes a public health threat by causing undulant fever in humans.

The disease represents a major economic problem to the beef, dairy and swine industries, consumers, and related agricultural industries. Annual production losses to U.S. dairy producers were $314 million in 1951 (1981 dollars). Since then, efforts to eradicate the disease have steadily reduced these losses to the point where in 1987, weaner calf and milk losses incurred to producers were valued at approximately $16 million. In addition, producers incur additional herd management costs associated with testing and prevention practices. Consumers are impacted adversely through higher prices and smaller supplies of meat and milk. Related agricultural industries may incur losses from reductions in sales of products and services as the volume of cattle, swine, meat, and milk declines.

A bovine brucellosis control program was begun in 1934 as a vehicle for a cattle reduction program. The State-Federal cooperative brucellosis eradication program commenced in 1954. Since that time, a number of program modifications have occurred in response to technical, political, and budgetary developments. However, the primary goal of the program has remained to eradicate the disease through the cooperative efforts of the Federal and State Governments, industry organizations, and individual herd owners. Nationwide, brucellosis incidence has been reduced from 11 percent in 1934 to the current rate of 0.22 percent at the end of Fiscal Year (FY) 1988.

In 1982, APHIS established a State classification system as a basis for allocating resources and regulating interstate movement of cattle. Under this system, States are certified as being "Class Free," "Class A," "Class B," and "Class C." Major indicators that form the basis for State classification (or areas within a State) are as follows:

1. *Class Free.*—During the previous 12 months all cattle herds must remain free from infection, with *no known* focus of infection in any domestic livestock species at the time of certification. The MCI reactor prevalence rate for the previous 12 months may not exceed .05 percent.
2. *Class A.*—During the previous 12 months the infection rate for cattle herds may not exceed .25 percent; the adjusted market cattle (MCI) reactor prevalence rate may not exceed .1 percent.
3. *Class B.*—During the previous 12 months the infection rate for cattle herds may not exceed 1.5 percent; the MCI reactor prevalence rate may not exceed .3 percent.
4. *Class C.*—Exceeds minimum classification levels for Class B status.

Procedures and standards for the conduct of the cooperative State-Federal program are developed by APHIS in cooperation with the States and industry through the Brucellosis Committee of the United States Animal Health Association. They are published as the "Uniform Methods and Rules" (UMR). The UMR contains minimum standards for certifying and validating herds, classifying and validating States and areas, and detecting, controlling, and eradicating brucellosis, as well as minimum brucellosis requirements for the intrastate and interstate movement of cattle and swine.

Currently, the highest brucellosis infection levels are concentrated in seven Southern States (Arkansas, Florida, Kentucky, Louisiana, Mississippi, Oklahoma, and Texas). A nationwide summary of State classification levels follows:

NATIONWIDE STATE CLASSIFICATION SUMMARY—FY 1988

Classification level	No. of States [1]
Class Free	29
Class A	17
Class B	6
Classes B and C	1

[1] As of October 1988. Includes Puerto Rico (Class A), the Virgin Islands (Class Free), and the District of Columbia (Class Free). Florida has a dual classification as both B and C

STATES CLASSIFIED AS CLASS A, B, OR B AND C

Class A	Class B	Classes B and C
Alabama	Arkansas	Florida
California	Kentucky	
Colorado	Louisiana	
Georgia	Mississippi	
Idaho	Oklahoma	
Illinois	Texas	
Indiana		
Iowa		
Kansas		
Missouri		
Nebraska		
Nevada		
New Mexico		
Oregon		
Puerto Rico		
South Dakota		
Tennessee		

OPERATIONAL STRUCTURE

The basic operational structure of the brucellosis eradication program has been in place for approximately 20 years. This structure consists of three major components: surveillance, prevention, and eradication. These are briefly outlined below:

BRUCELLOSIS OPERATIONAL STRUCTURE

1. *Surveillance.*
a. Primary.
—market cattle identification (MCI) (first point of concentration testing) (change of ownership: intra/interstate) (slaughter testing)
—brucellosis ring test (BRT)
—area testing (large scale)
b. Secondary.
—neighborhood testing
—epidemiological tracing
—abortion report follow-up
2. *Prevention.*
a. Management of infected herds and uninfected herds.
—adult vaccination
—isolation/monitoring purchases
—calving management
—complete herd testing
b. Selected emphasis calfhood vaccination.
c. Quarantine enforcement.
d. Compliance.
e. Disinfection.
f. Public education.
3. *Eradication.*
a. Removal of infected animals (includes payment of indemnity).
b. Depopulation of infected herds (includes payment of indemnity).
c. Test and slaughter: initial and retest schedules.
d. Prompt sale and slaughter of reactors.

The major components identified above can be viewed as essential facets of any animal disease eradication program. Alternative program approaches to eradicating brucellosis would not change this basic program structure, but would emphasize or de-emphasize selected subcomponents.

CURRENT PROGRAM FUNDING

Under the Federal-State program, the States are required to provide a minimum of 40 percent of program costs. In practice, many States have consistently exceeded this minimum. Federal brucellosis program obligations since 1981 are shown in the table below:

BRUCELLOSIS PROGRAM SPENDING

[Dollars in millions]

Fiscal year	Federal funding
1981	$90.4
1982	87.7
1983	75.2
1984	64.2
1985	68.6
1986	62.8
1987	64.2
1988	64.0
1989	[1] 55.8

[1] Appropriation.

Under the current Federal 5-year program plan initiated in FY 1986, the Federal role in the program would be reduced to a "residual program" of disease surveillance, reporting, and enforcement of interstate regulations beginning in FY 1991. Funding for the residual program would be approximately $35 million per year. A year-to-year breakout of actual and planned program spending by component over the entire period is as follows:

BRUCELLOSIS PROGRAM—CURRENT FEDERAL 5-YEAR PLAN OBLIGATIONS BY PROGRAM COMPONENT

Component	1986	1987	1988	[1] 1989	[1] 1990	[1] 1991 and beyond
Surveillance	$34.9	$36.0	$37.0	$35.4	$35.4	$35.0
Prevention	9.9	10.7	10.7	9.0	9.0	
Eradication	18.0	17.5	16.3	11.4	11.4	
Total	62.8	64.2	64.0	55.8	55.8	35.0

[1] Estimate.

PLAN DESCRIPTION

OBJECTIVE

The objectives of the Plan for the Rapid Completion of the Brucellosis Eradication Program are to:

1. In 2 years, have no brucellosis infected herds under quarantine.
2. In 5 years, have all States Class Free or qualifying for Class Free certification.

Because current infection levels are low, a significant short-term acceleration of the program can accomplish complete eradication of the disease. Past economic studies in the United States and Canada, as well as program experience in Canada, show that activities designed to eradicate brucellosis quickly are more cost beneficial than any other approaches to controlling or eradicating the disease.

PLAN OVERVIEW

In developing an alternative plan for the eradication of brucellosis, it was recognized that with long-established animal diseases the last vestiges of infection are the most difficult and costly to eradicate. A concerted effort is required to locate unobtrusive pockets of infection and provide assurances to stakeholders that full eradication is preferable to an approach that only "controls" the disease at a low incidence level.

Program experience as well as epidemiologic studies have shown that the following key program elements are essential for achieving rapid eradication in an efficient manner:

1. A surveillance system which is adequate in extent of coverage, sensitivity for detecting, and tracing back to herd of origin, all reactor animals.

2. A whole herd depopulation strategy that is consistently applied and sensitive to fluctuations in market prices.

3. Full compliance with standards of the Uniform Methods and Rules (UMR) for brucellosis eradication.

The Rapid Completion Plan was developed with the intention of providing for these key elements. The plan is similar in concept to the "Theoretical Eradication Program" alternative examined in the 1985 Texas A. & M. University report, "Economic and Epidemiologic Analysis of U.S. Bovine Brucellosis Programs (a brief summary of the Texas A. & M. analysis is contained in the appendices of this report). The plan is national in scale so that problems associated with the movement of animals from adjacent areas or States that harbor infection are addressed at the same time. The plan's basic operational logic is as follows:

1. Development of State and national program goals to guide and motivate State and industry personnel;

2. Rigorous technical reviews of individual State programs;

3. Immediate follow-up/reinforcement of State technical review recommendations (e.g. with personnel, training, depopulation funding, equipment) as required;

4. Continual monitoring of program progress through an enhanced surveillance system.

The plan assumes the following:

1. Funding and staffing levels are adequate to carry out the depopulation strategy, enhanced surveillance, and other accelerated activities identified in the technical plan section (presented below);

2. The goals of the plan and the plan design will provide a credible vehicle for organizing all stakeholders, especially in the high incidence States.

TECHNICAL PLAN

In this section a description of program activities to be accelerated and required regulatory changes under the Rapid Completion Plan is presented. The choice of activities to be accelerated is based on an understanding of important operational relationships associated with brucellosis eradication as derived from past technical and economic studies of the program and field experience. Some key operational relationships that served as the basis for developing this plan are presented below:

1. *Depopulation is an essential activity in brucellosis eradication:* As an eradication tool, depopulation was first used with brucellosis in the 1960's. Used judiciously it has proven to be very cost effective. Depopulation does two basic things:

(1) It eliminates a focus of infection; and

(2) It frees up staff/resources to enhance other surveillance and eradication activities.

2. *Adult vaccination is the method of choice for managing infected herds where depopulation is not feasible.*

3. *Strict adherence to UMR standards significantly improves program effectiveness.*

4. *Secondary surveillance activities are essential for finding new cases of brucellosis quickly and to preclude leaving infection behind in a community situation.*

5. *Increased calfhood vaccination, while decreasing transmission within and among herds, increases the difficulty (and cost) of surveillance.*

ACCELERATED ACTIVITIES

A. State Program Technical Reviews

1. Conduct Program Technical Reviews in all high incidence States during the first 12 months of the program beginning with the highest incidence States and progressing to the lower incidence States. These reviews will focus on:

—surveillance-procedures;
—epidemiological procedures;
—herd testing; and
—laboratory procedures and standards.

2. Repeat these reviews in the second year for any State that has not met projected goals toward eradication.

B. Enhanced First Point Testing

1. Conduct first point testing of test eligible cattle in high incidence States where needed and in those States that routinely receive direct shipments of cattle from the high incidence States.

C. Increased Adjacent and Contact Herd Testing

1. Increase emphasis on adjacent and contact herd testing in all States with brucellosis infected herds.

D. Increased Epidemiology Testing

1. Identify and test all possible source herds for all newly detected infected herds.
2. Identify and test all herds which have received cattle from newly detected infected herds during the time the source herd was considered to have been infected.

E. Mandatory Adult Vaccination

1. Require adult vaccination in all infected herds that are not depopulated.

F. Increased Depopulation

1. Increase herd depopulation in all areas of the United States.

—Depopulation will be the first option for any new herd found with more than 10 percent reactors on initial test.

—Depopulation will be requested for any herd that has infected cattle on any two consecutive tests even if the herd has been adult vaccinated.

—Depopulation will be requested for any herd that has been infected for more than 2 years.

G. Use of Local Task Forces for Area Testing Where Required

—Counties experiencing herd infection rates of 3 percent during the previous 3 years or 1 percent over the past 12 months will be evaluated to assess the need for area testing.

—Any area where other surveillance activities appear to be ineffective should be area tested.

—Any areas where there is evidence of general community spread of brucellosis should be area tested.

H. Increased Training in High Incidence States

—Training will be directed toward animal health technicians and veterinarians and will consist of initial and refresher courses on epidemiology and tracing techniques. In addition, training on statistical procedures and use of program records will be provided for data management personnel.

REQUIRED REGULATORY CHANGES

A. Implement Incentive Indemnity for Depopulation

1. Immediately add $200 incentive to depopulation indemnity for a total of $250 for beef and $450 for dairy and registered cattle.
2. Continue regular indemnity on reactors at the current $50 and $250 rates so long as herd is under a herd plan.
3. Indemnity rates will be reviewed frequently and adjusted to ensure their adequacy for enabling rapid eradication to occur.

B. Develop Regulatory Changes for Mandatory Adult Vaccination

1. Immediately make adult vaccination mandatory in all herds which are not depopulated by not allowing any indemnity for reactors removed from unvaccinated herds.
2. During the last 6 months of the 2-year period depopulate any adult vaccinated herds that are still infected.

BUDGET PLAN

In this section, budget breakouts of the plan for the Rapid Completion of the Brucellosis Eradication Program are provided. The Rapid Completion Plan will require funding for both a "core" program that maintains a basic brucellosis program infrastructure of surveillance, prevention, and eradication (e.g. personnel, regular indemnity, testing); and accelerated activities that focus on locating and eliminating infection.

PLAN FOR THE RAPID COMPLETION OF THE BRUCELLOSIS ERADICATION PROGRAM BUDGET BY ACCELERATED AND CORE ACTIVITY

[Dollars in million]

Activity	(6 mos) FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Depopulation	$26.30	$28.70	$24.10	$8.90	$2.30
Training	.04	.12	.08		
Surveillance	3.00	3.00	2.50	1.00	1.00
State Technical Reviews	.08	.08			
Task Force Operations	.40	.80	.40	.10	.10
Program Management and Support	2.80	3.26	2.36	1.60	.54
Subtotal	32.62	35.96	29.44	11.60	3.94
Core Program	55.80	55.80	55.80	35.00	35.00
Total	88.42	91.76	85.24	46.60	38.94

Editorial note.—Penciled in between FY 1991 and FY 1992: "No injected herds under quarantine."

A major goal of the rapid completion plan is to have no brucellosis infected herds under quarantine in 2 years. This goal is projected to be achieved in mid-FY 1991. Projections of new reactor herd detections indicate that by FY 1992, the core program can begin to focus exclusively on surveillance activities—with a corresponding decrease in cost. Funding for selected accelerated activities will be required after FY 1991 as "residual" infected herds are found and depopulated

EDITORIAL NOTE.—The following is a penciled note: "Should we isolate core from accelerated program? Why not combine?"

PLAN FOR THE RAPID COMPLETION OF THE BRUCELLOSIS ERADICATION PROGRAM BUDGET BY OPERATIONAL COMPONENT

[Dollars in million]

Component	(6 mos) FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Surveillance	$3.00	$3.00	$2.50	$1.00	$1.00
Prevention	.52	1.00	.48	.10	.10
Eradication	26.30	28.70	24.10	8.90	2.30
Program Management and Support	2.80	3.26	2.36	1.60	.54
Subtotal	32.62	35.96	29.44	11.60	3.94
Core Program	55.80	55.80	55.80	35.00	35.00
Total	88.42	91.76	85.24	46.60	38.94

Editorial note.—Pencil marks are illegible.

PLAN FOR THE RAPID COMPLETION OF THE BRUCELLOSIS ERADICATION PROGRAM BUDGET BY MAJOR COST COMPONENT

[Dollars in million]

Major cost component	(6 mos) FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Personnel	$.32	$.70	$.32	$.08	$.08
Travel	.20	.30	.16	.02	.02
Transportation of Things					
Rents, Utilities					
Printing					
Services	1.00	1.00	1.00	1.00	1.00
Supplies and Materials	.80	1.00	1.00		
Equipment	1.20	1.00	.50		

PLAN FOR THE RAPID COMPLETION OF THE BRUCELLOSIS ERADICATION PROGRAM BUDGET BY MAJOR COST COMPONENT—Continued

[Dollars in million]

Major cost component	(6 mos) FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Indemnities	26.30	28.70	24.10	8.90	2.30
Program Management and Support	2.80	3.26	2.36	1.60	.54
Subtotal	32.62	35.96	29.44	11.60	3.94
Core Program	55.80	55.80	55.80	35.00	35.00
Total	88.42	91.76	85.24	46.60	38.94

BUDGET ASSUMPTIONS

1. *Breakout of Core Program Budgets.*

a. Breakout by Major Cost Component.

[Dollars in million]

Major cost component	$55.8 million Core Program	$35.0 million Core Program
Personnel	$22.9	$15.0
Travel	1.8	1.2
Transportation of Things	.2	.1
Rents, Utilities	1.8	1.2
Printing	.1	.1
Services	19.2	12.6
Supplies and Materials	6.0	2.8
Equipment	3.1	2.0
Indemnities	[1] .7	0
Total	55.8	35.0

[1] Includes $700,000 for regular indemnity.

b. Breakout by Operational Component.

[Dollars in million]

Operational component	$55.8 million Core Program	$35.0 million Core Program
Surveillance	$35.4	$35.0
Prevention	10.7	
Eradication	9.7	
Total	55.8	35.0

2. *Basis for Depopulation Estimates.*

a. Indemnity rates will be reviewed frequently and adjusted to ensure their adequacy for enabling rapid eradication to occur.

b. Depopulation Calculations for Dairy Herds (based on Accumulated Herds).

	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Herd depopulation rate (percent)	50	75	100	100	100
Number of herds	148	108	68	25	7
Average animals/herd	219	219	219	219	219
Depopulation cost/animal	$450	$450	$450	$450	$450
Total depopulation cost (dollars in million)	$7.3	$8.0	$6.7	$2.5	$.6

c. Depopulation Calculations for Beef Herds (based on Accumulated Herds).

	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Herd depopulation rate (percent)	50	75	100	100	100
Number of herds	2,812	2,044	1,289	475	124
Average animals/herd	54	54	54	54	54
Depopulation cost/animal	$250	$250	$250	$250	$250
Total depopulation cost (dollars in million)	$19.0	$20.7	$17.4	$6.4	$1.7

REVIEW OF ALTERNATIVE APPROACHES TO BRUCELLOSIS ERADICATION

Three other alternative approaches were reviewed in addition to the Rapid Completion Plan. These alternatives were:

1. Continuation of the current Federal 5-year eradication plan, begun in FY 1986, which envisions a funding level of $55.8 million in FY 1989 and FY 1990, and annual funding of approximately $35 million beginning in FY 1991 for surveillance, enforcement, and reporting.
2. Annual program funding at the current $55.8 million level until all States are certified Class Free or qualify for Class Free status.
3. Annual program funding at the FY 1988 level of $65.6 million until all States are certified Class Free or qualify for Class Free status.

The first two alternatives were selected based on what currently appear to be conceivable or likely funding scenarios for the brucellosis program over the next 5 years. The third alternative is equivalent to a resolution adopted by the National Cattlemen's Association requesting that brucellosis program funding be restored to the FY 1988 ($65.6 million) level. The restored funding would be spent to move the program "more rapidly toward the eradication of brucellosis."

PROJECTED LEVELS OF INFECTION

BRUCELLOSIS ERADICATION—COMPARISON OF ALTERNATIVE APPROACHES—NEW REACTOR HERDS DETECTED PER FISCAL YEAR

	(6 mos) FY 1989	FY 1990	FY 1991	FY 1992	FY 1993
Rapid Completion Plan	1,729	1,912	1,203	500	131
$65 mill./Year Alt.	1,701	1,322	1,010	758	559
$55 mill./Year Alt.	1,693	1,457	1,280	1,151	1,059
Current 5-Year Alt.	1,693	1,457	1,353	1,350	1,441

Increased surveillance under the *Rapid Completion Plan* and the *$65 Million/Year* alternative results in increased levels of new reactor herd detections in earlier years compared to the last two alternative approaches. However, higher rates of depopulation under the first two approaches eventually reduces the number of new reactor herd detections to levels significantly below those found in the last two alternative approaches.

Under the *Rapid Completion Plan*, by the beginning of FY 1992 the number of new reactor herds being found is projected to be 500. From a national perspective, this represents a status of basically "no known infected herds." From that point, new "residual" herds will be depopulated when they are detected.

By the end of FY 1993, no known brucellosis infected herds would remain in the United States. At that time, all States would either be Class Free or would be qualifying for Class Free status although our projection model shows that we would continue to find a few new residual infected herds for several years until complete eradication is achieved.

Under the other three alternatives, brucellosis infection levels at the end of FY 1993 would be significantly higher than projected for the *Rapid Completion Plan*. The *$65 Million/Year* alternative would not reduce detections of new reactor herds to the 150 reactor herd range until after year 8 (end of FY 1996—see appendices for projections for each alternative after year 5). The *$55 Million/Year* alternative would not reduce detections of new reactor herds to such a low level until the end of year 12 (FY 2000). Under the *Current 5-Year* plan alternative, with the planned reduction in Federal funding in FY 1991, brucellosis infection levels are expected to increase after FY 1992 because of a renewed spread of the disease particularly in the high incidence States.

PAST ECONOMIC ANALYSES REGARDING ERADICATION OF BRUCELLOSIS

A review of past economic analyses on brucellosis eradication and their relevance to the Rapid Completion Plan and other alternatives described in this report is contained in the appendices. Past epidemiologic studies and program experience in both the United States and Canada have clearly shown that the U.S. brucellosis program is capable of detecting sufficient numbers of infected herds for achieving eradication. A program approach that emphasizes stricter adherence to UMR standards, and use of producer incentives including a depopulation program, has been shown to be both cost effective and result in positive net benefits to society in several economic studies.

Several relevant conclusions can be drawn from the most recent economic and epidemiologic study of brucellosis eradication in the United States. This study, which was completed by Texas A. & M. University in 1985, found that: (a) strict compliance with the program's Uniform Methods and Rules is very cost beneficial; (b) a rapid reduction in brucellosis infection rates is very cost beneficial; and (c) and a concerted removal of infected animals and infected herds from the population through efforts such as adjacent herd testing, secondary surveillance, post-quarantine testing, first point of concentration testing, and depopulation is very cost-beneficial as compared to vaccination.

PREPARED STATEMENT OF JAMES L. LOEB, P.O. BOX 909, MONTGOMERY, AL

COMMENTS TO THE HEARING OF THE SENATE AGRICULTURE COMMITTEE IN MONTGOMERY COUNTY, ALABAMA, ON APRIL 24, 1989

During the 1930's, the Congress, in order to underpin the income of the considerable numbers of U.S. families then living and farming cotton in our Nation, instituted loan programs for various agricultural commodities, including cotton. The loan program's goal was intended to prorate the sale of the harvest over the calendar year. This set the price of U.S. cotton above the then-world market, which encouraged foreign production of cotton and created the gradual eroding of the export market for U.S. cotton, eventually making us the world's residual cotton supplier.

The Congress set ever-smaller acreage allotments for cotton, in an effort to reduce U.S. carryovers; this effort was defeated at every turn by improvements in farm technology.

When the Congress finally realized that the 90 percent of parity concept, in setting loan levels, was no longer practicable at all, they then instituted the target price program. (Today, cotton is planted for the target price.) And, since the loan, too, needed to be reduced, to allow exports, the Congress set loans at ever-declining levels. This too failed to reduce carryover and in 1986, a marketing loan program with an adjustable level for U.S. cotton was instituted. This also failed to control carryover.

The past half-century has seen an exodus from the farm and the amalgamation of planted acres in the hands of fewer farmers, who are well-educated and able to handle both the business and technological aspects of farming. In recent years, farmers have changed the manner in which they market their crops. Farmers are now able to contract their production before planting time, whereas heretofore, the marketing of cotton was, in practice, restricted to those times after the crop had been harvested. Farmers who were always able to sell futures to hedge the growing crop, are now able to acquire options for this purpose, which requires considerable less capital involved. The expansion of credit within our Nation now allows farmers to finance their possession of cotton if they wish to await a different market level. Therefore, in 1989, the Congress should look to the target price as being the guarantor of farm income and phase out the loan programs over the term of the next Agricultural Act. Please realize that there are no limitations of the right to use the loan for eligible cotton: Why, logically, do we have limitation of payments for eligible cotton? Are we not confused here in our rational thinking? The producer should be given the responsibility of marketing his crop.

If the cost of administering the loan program which—this year—paid for some 9 million bales of cotton processed in hundreds of County ASCS offices, were eliminated, the Congress could be more generous in setting limitations of payment as it affects target price deficiencies.

The marketing loan program in cotton has effectively destroyed the historic relationship between spots and futures. This has increased risk, encouraged speculation, forced smaller marketing firms out of business and placed volumes in the hands of large, multinational corporations—most often, those houses which primarily engage in the marketing of grains—and narrowed the producers' market.

The marketing loan concept in 1986-87 caused a 50 cent swing in cotton prices—proved to be in operation against the Government and, to a lesser degree, repeated this performance in 1988-89. As the Act worked in practice, there was no force to restrain the sale of American surplus cotton at distress prices. The Act, in operation, has proved immensely costly to the U.S. taxpayer.

It is now time for the Congress to do for cotton what it has so successfully done elsewhere in our society—deregulate. The bureaucracy of the USDA has mushroomed, in an effort to administer agricultural law, which best resembles, in complexity, tax law. The Congress must, perforce, enact simpler legislation, go to the heart of the matter and encourage incentive systems to function at the lowest possible cost to Government.

The Congress, in the new Agricultural Act, should surely phase out the loan program for cotton over the term of the Act.

I would also like to suggest to you the need to consider how target price deficiency payments are calculated. Cost of production and price received vary considerably by area of growth. May I suggest, for your consideration, that a separate cost of production and separate record of price received—and a resulting separate deficiency payment—be given separately for the three generally like areas of growth within our country: the Southeast/Mississippi Valley/South Texas; 0kalhoma/Central/ North/ West Texas; New Mexico/Arizona/California. This would, at least in my opinion, be a more accurate way to guarantee farm income to cotton growers.

PREPARED STATEMENT OF RAY L. HUFF, PRESIDENT, ALABAMA COUNCIL FOR RURAL HOUSING AND DEVELOPMENT, AUBURN, AL

Good morning, Mr. Chairman and members of the committee. My name is Ray Huff. I am the general manager of the Huff Investment Company in Auburn, Alabama and president of the Alabama Council for Rural Housing and Development. It is my pleasure to submit testimony on rural development for your consideration.

SECTION 515 RURAL RENTAL HOUSING PROGRAM

An important component of rural development is housing. Under section 515 of the Housing Act of 1949, the Farmers Home Administration of the Department of Agriculture makes direct loans to developers of housing in rural areas for low income families and the elderly. Although the loans are made at market rates, an interest credit brings down the interest rate paid by the owner to 1 percent; the owner in turn must pass these savings on to tenants in the form of lower rents. Tenants are required to pay the higher of either 30 percent of their income or the rent needed to operate the project on the basis of the 1 percent loan.

Since its inception in 1963, over 415,000 units of section 515 housing have been constructed to serve more than 830,000 elderly and low income persons. According to FmHA in 1988, the average income for a resident in a section 515 projects was $8,256; 67 percent of those tenants had an average income of $6,013.

As well as providing needed rental housing for low income people, the section 515 program results in good community development and economic growth. The program creates jobs and provides a community asset that last for many years as opposed to the one shot assistance under most social service programs. The concentration of people in rental units can mean less Federal, State, and local tax dollars spent on streets and road construction and maintenance, sewer and water system construction as well as public school transportation, etc. It also generates much needed additiontal property tax revenues for small rural communities to further encourage their development.

FUNDING FOR THE PROGRAM

The section 515 program continues with a default rate of less than 1 percent despite some enormous difficulties faced by managers and developers. The Housing and Urban Rural Recovery Act of 1983 had a negative impact on many projects, creating great concerns over substantially increased vacancy and turnover rates. This legislation was implemented by FmHA on October 1, 1986, and in effect, raised the rental payments on many tenants without any consideration to the lack of subsidy.

Since 1984, the program has been cut almost in half, being reduced from $940 million to $554.9 million. Furthermore, for the past several years the Reagan administration proposed replacing all new rural housing construction programs with a voucher program. The intention was good but vouchers actually only work if there is a decent housing stock in the community. This also leaves developers wondering whether they should start to plan new projects for the upcoming year or even continue with those preapplications already begun. This year, President Bush concurred with the Reagan budget which proposes only $100 million for section 515 to be used in areas experiencing a tremendous housing shortage. Currently, there is a $1.5 billion nationwide backlog of viable projects which could be funded to provide desperately needed housing if the money was available.

LOW INCOME HOUSING TAX CREDIT

To make matters worse, tax law changes have left many developers wary of the stability of tax shelters as an incentive to build new low income housing projects. This year, for example, it is still not clear when or if the low income housing tax credit is going to be extended beyond its 1989 sunset date, making it extremely difficult for developers to plan for 1990 projects. Further, the current method of applying for the credits through the State housing agencies is not only burdensome, but in some cases, it can actually prevent section 515 projects from being built. It has happened that large developers tie up most of the credits a State has to allocate with large urban projects, leaving no tax credits for the developers of small rural projects. Without the credit, these projects will simply not be built. Exacerbating the situation is the fact that tax credits are sometimes reserved but never ultimately used, denying others the opportunity to create additional housing. Thus, we would be in favor of tying a direct tax credit allowance to every FmHA section 515 loan approved.

CHANGES IN INCOME ADJUSTMENTS

On a brighter note, recent legislation introduced in the House would provide some needed relief to project managers experiencing vacancies due to tenant rent overburden. The Housing and Community Development Act of 1989 (H.R. 1180), introduced last month by House Banking, Finance and Urban Affairs Committee chairman, Henry B. Gonzalez, includes a significant section relating to tenant income adjustments. Section 402 of the bill would increase the deduction for dependents from $480 per child to $550 per child. It also would provide a 10 percent deduction on earned income for working families.

Last year we supported legislation introduced by Congressman Ben Erdreich which would have allowed a deduction for State, local, and Federal taxes paid and would have set market (ceiling) rents at local comparable rents rather than based on the Treasury note rate in effect at the time of the section 515 loan closing, as is currently the case.

Such deductions to income will bring down the amount of rent which is charged when based on 30 percent of adjusted income. In many areas, the current method of calculating rents leads to rents which are similar to older, conventional projects with more amenities. As a result, tenants choose to pay a little more to get more. In other cases, where comparable housing is not available, tenants choose to pay a great deal less to live in substandard housing. We are strongly in favor of some type of allowance such as that in H.R. 1180, which would cause rents to be based more closely on 30 percent of net disposable income, rather than gross income.

The National Affordable Housing Act introduced last month in the Senate, does not include an income adjustment provision. We would hope that a House-Senate Conference Committee to iron out the differences between the bills would conclude that this is a worthy and important provision to become part of a final housing bill.

SUMMARY

To summarize, the Farmers Home Administration is currently succeeding in its efforts to provide rental housing through the section 515 program. In order to continue providing such housing, we must have adequate funding for the construction loans and for rental assistance, the tenant rent subsidy that makes up the difference between 30 percent of income and the required basic rents. At this time, less than half of all section 515 tenants are enjoying rental assistance. In addition, we must have an extension of the low income housing tax credit to provide the incentive to develop the projects. Finally, to preserve existing projects in a healthy state, we need the proposed income adjustments included in H.R. 1180.

Thank you very much for consideration of our statement.

PREPARATION FOR THE 1990 FARM BILL

Commodity Programs and Alternative Agriculture

MONDAY, APRIL 24, 1989

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Cleveland, MS.

The committee met, pursuant to notice, at 3:22 p.m., at Delta State University, Cleveland, Mississippi, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Heflin, Fowler, and Cochran and Representative Mike Espy.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. If the Committee on Agriculture, Nutrition, and Forestry could come to order.

First off, I want, on behalf of the committee, to thank my good friend Thad Cochran for having us down here. I am probably one of the few to come here from as far north as I come from. I point out that not only does the State of Vermont border the Canadian border but our own home is only about an hour's drive from Canada. So that is about as far north, I think, Thad, as you can go to get another Senator down here.

But not only am I here, this is the third time I have been down with Thad Cochran in the past year. It is the second time I have been here. I had the privilege and I consider it the honor to speak right across the way to the Delta Council. In fact, my sister came down with me at that time.

I am here today along with Senator Heflin and Senator Fowler. Senator Heflin's wife and my wife are here. And, Thad, I do appreciate the opportunity to be here.

As Senator Cochran knows, because he took part in it, we started the hearings on the farm bill, the 1990 farm bill, last Wednesday when Secretary of Agriculture Yeutter came and testified before our committee. By tradition his testimony in Washington starts the debate on the farm bill.

It has been my goal though, to have some hearings out of Washington where people who couldn't otherwise get to Washington might be able to testify; where individual Senators would have a chance to see some of the parts of the country that will be affected by the farm bill. Senator Cochran, of course, immediately pointed out to me, that field hearings were a good idea, but would be an especially good idea if Mississippi was one of the first States we visited. And when you have a senior member of the committee like Senator Cochran, the chairman says, "Sure. What time do you want me down there?"

So here we are. And, Thad, I appreciate very much the opportunity to be here.

STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. Thank you very much, Mr. Chairman. I want to welcome you and our other committee members to Mississippi on behalf of all of those who are here today and those who weren't able to be here because they are out in the fields working to try to get some crops planted and the soil prepared.

We are busy here, as you probably saw flying in. We are very busy at this time of the year, but we are not too busy to take time out to express our thoughts about what we would like to see in a new farm bill and what we think is right about the one we have. We hope to hear that today from the witnesses who will be testifying.

I know you are anxious to hear them and I don't want to encroach on their time at all, except to express again our appreciation to you, to Senator Howell Heflin, from Alabama, Senator Wyche Fowler, from Georgia, who are friends and also very talented members of this Agriculture Committee.

So, without any further comments from me, let me just say that we have some of the best, most knowledgeable people about the farm programs that you will hear from today. A wide range of experience is going to be represented among the witnesses who will be testifying. We have cotton farmers here, soybean farmers, rice farmers, catfish producers—those who are knowledgeable about a wide range of agriculture interests that we have here in our State. We hope to be able to hear from a large number of them before we have to conclude the hearing this afternoon.

Thank you again, Mr. Chairman. I look forward as you do to hearing their testimony.

The CHAIRMAN. Thank you very much, Thad.

Senator Heflin, do you have anything you want to say?

STATEMENT OF HON. HOWELL HEFLIN, A U.S. SENATOR FROM ALABAMA

Senator HEFLIN. Well, we are delighted to be in Mississippi. Of course, Alabama is not too far from here, and we have been in Alabama today. We are pleased to be here in the Delta with Senator Cochran. We call him Cotton Thad back in Washington. And I am pleased to be here in the home of the great Senator Stennis, who is doing fine we understand, and to be here close to the homeland of Jim Eastland. And just to see that Mississippians don't feel that the Agriculture Committee is getting out of hand, I may smoke a cigar in memory of Jim Eastland while I am here. [Applause.]

The CHAIRMAN. I want you to know how I revere the memory of Jim Eastland. I had the honor of seeing his son here. I have to tell you I had the honor of serving on two different committees with your father, and I honor his memory greatly. I don't know if I honor it enough to urge you to light up that 22-cent-cigar of yours. Senator Fowler.

Senator FOWLER. I am Wyche Fowler, from Georgia. I am also very glad to be here with my friend Thad Cochran.

The CHAIRMAN.—Without objection, we ask that the prepared statements of Don Waller, the president of the Mississippi Farm Bureau Federation, and Buddy Page, chairman of the Louisiana Farm Bureau Federation, Cotton Advisory Committee, be made part of the record at an appropriate place.

Senator COCHRAN. Mr. Chairman, also we have a statement from Alex Curtis, who is president and chief executive officer of the Farmers Grain Terminal, Inc., on the subject of flexibility for the next farm bill, which I would ask be made a part of the record.

The CHAIRMAN. Without objection, it will be.

[See the contents for the prepared statements of Don Waller, president, Mississippi Farm Bureau Federation; Buddy Page, chairman, Louisiana Farm Bureau Federation, Cotton Advisory Committee; and Alex Curtis, president and chief executive officer, Farmers Grain Terminal, Inc.]

COMMODITY PROGRAMS

The CHAIRMAN. So the first panel will be on commodity programs. I have Woods Eastland, the president of Staplecotton, in Greenwood, Mississippi; Rex Morgan, the chairman of the Mississippi delegation to the U.S. Rice Producers Legislative Group, from Indianola; and Ed Hester, the former president of the Mississippi Soybean Association, of Benoit, Mississippi.

Mr. Eastland, we are delighted to have you here, and I meant most sincerely what I said. I consider it a great honor to have served with your father both as a member of the Judiciary Committee and as a member of the Agriculture Committee during the time he was there. I yield to you, sir.

STATEMENT OF WOODS EASTLAND, PRESIDENT, STAPLECOTTON, GREENWOOD, MS

Mr. EASTLAND. Thank you.

My name is Woods Eastland. I am a cotton, rice, wheat, and soybean producer from Mississippi. I also serve as president of a cotton marketing cooperative which owns a subsidiary which makes agricultural production loans. The marketing cooperative markets only cotton produced in the five-State, Midsouth region.

FOOD SECURITY ACT OF 1985 WORKED WELL—INCORPORATE INTO 1990 FARM BILL

The Food Security Act of 1985 overall has worked well, in my opinion, and its provisions should be incorporated into the new farm legislation. The twin objectives of the legislation—to maintain farmer income and to enhance the export competitiveness of U.S. produced agricultural commodities—have generally been successful. The combination of a CCC loan to permit orderly marketing of crops by producers and a target price to maintain farmer income has worked well. This fact is especially evident if one examines the records of the subsidiary of our company which makes agricultural production loans. Above average cotton and rice yields have coupled with prices made acceptable by target price deficiency payments to arrest the deterioration of the agricultural, and hence rural, economy and at least stabilize it. Whether this is the beginning of a trend toward significant improvement remains to be seen. Nevertheless, the economy in this area undeniably is now better than it was in 1985 and 1986.

MIDSOUTH COTTON

As to cotton specifically and Midsouth cotton in particular, the 1985 act made a commitment to support grower income while providing an adequate and stable supply of cotton to the textile industry at competitive prices worldwide. This was to be accomplished through target prices, and a nonrecourse loan to aid in orderly marketing coupled with a marketing loan. The nonrecourse loan has an initial 10-month period coupled with an 8-month extension available at all times, except when prices exceed 130 percent of the previous 36-month average price. This 8-month extension serves as a bridge across crop years, allowing the surplus from a large crop to be carried over into a new season when lowered prices will have reduced plantings. Since in 8 of the past 20 years production has exceeded use, but in 6 of those 8 years the following season's use has exceeded production, this has been an important provision.

UNDESIRABLE CONSEQUENCES IF THE NEW FARM LEGISLATION WERE TO REDUCE THE LOAN PERIOD

If the new farm legislation were to reduce the loan period, many undesirable consequences for the producer and the industry would follow. The loan was designed to provide for orderly marketing by producers. It has accomplished this with little cotton being forfeited to the Government. Since 1970, almost 68 million bales of cotton have entered the loan, but less than 4 percent of the cotton has been acquired by the Government. Almost 75 percent of the cotton that has been acquired was a result of the Payment-In-Kind, or PIK, program in 1983. The program of a 10-month loan with an 8-month extension is working without the Government being forced to become a major marketer of cotton.

If the loan period were shortened, even with a marketing loan, unsold cotton would be forfeited to the CCC after 10 months. A large percentage of the crop would cycle through Government ownership. In years of overproduction the market price structure could not respond to establish market levels in 10 months that would generate consumption for the oversupply because consumption of cotton is relatively price inelastic. Thus prices would fall precipitously during the 10-month marketing period to encourage someone to hold the inventory. Such a marketing system would be extremely price volatile, removing the price stability that has always been a concern of the textile industry. Marketing opportunities would belong to speculators with sufficient capital to acquire stocks during periods of oversupply in order to hold them for the period of lowered production which inevitably would follow. The marketing opportunities now enjoyed by producers would be forfeited to these speculators. This price volatility would inevitably benefit cotton's competitors—man-made fibers, whose production level can be altered weekly to meet changing demand. Cotton's unique position is that it is an agricultural commodity used as an industrial raw material for which man-made fiber that is produced monthly can be substituted. This factor, coupled with the fact that one bale of cotton cannot be freely substituted for another because the varying quality of individual bales determines the textile use of each, demands that producers have available the 8-month loan extension to guarantee orderly marketing and a dependable supply.

IMPERATIVE THAT ACTION BE TAKEN TO MAKE THE MARKETING LOAN WORK

The outcry to shorten the 18-month loan program has come about because of problems in making the revolutionary marketing loan concept for cotton operate properly. It is imperative that action be taken to make the marketing loan work so that U.S. cotton can be provided to U.S. and foreign mills at competitive prices. For cotton this cannot be done at price levels that allow U.S. producers to raise cotton profitably without the three-tiered structure of a target price, the CCC loan, and marketing loan. This is because over 90 percent of the cotton produced in the world is subsidized by the government of the country in which it is raised.

SUBSIDIZED COMPETITION

U.S. producers cannot sell against subsidized competition without a marketing loan. The marketing loan concept broadcasts to the producers of the world and the governments that subsidize them that the United States will not allow foreign governments to buy market share through subsidized production. The concept is sound. The problem is that the U.S. industry and Government have not demonstrated the resolve to make it work.

Before the changes made in the 1985 act, the U.S. fixed loan floor—which was in the previous acts—was an umbrella allowing foreign producers to increase production and world market share at the same time that U.S. producers were forced to limit production. The fixed loan rate made the United States the world's residual supplier of cotton. Our cotton moved into the world market only when demand exceeded supply outside of the United States. Unfortunately, the U.S. textile industry was also penalized, because it paid more for its cotton than its competitor mills in Europe or Asia. In the last 10 years, production and offtake of American produced cotton have increased by only about two-thirds of the amount of the increase outside the United States. The U.S. cotton producer simply has not participated pro rata in this expansion in world demand. The U.S. textile industry has seen its share of the cotton textile goods purchased in U.S. retail stores drop from 77 percent to 59 percent over this same 10-year period. Noncompetitive prices for U.S. cotton are a major reason in each case.

REQUEST TO CHANGE THE MARKETING LOAN MECHANISM

To correct this, Congress wisely included a marketing loan for cotton and rice in the 1985 act. Apparently, the rice provision has worked fairly well; the cotton has not. United States cotton has remained a source of only residual supply so far under this act. The major reason probably has been that the cotton industry has asked the Department of Agriculture to administer cotton's marketing loan according to rigid fixed formulas. The result has been that the formulas have not allowed U.S. cotton to be competitive, and changes in them to make us competitive have brought about unforeseen results. On the other hand, the provisions of the rice marketing loan do not work on fixed, rigid formulas, but ask the Secretary to set the rice loan redemption price at a level that will keep U.S. rice competitive. Recently, the cotton industry has asked the Secretary of Agriculture to change the marketing loan mechanism so that he will use his discretion to lower the cotton loan redemption price to make U.S. cotton price competitive during times when it otherwise would not be so. Hopefully, the Secretary will agree to make these changes. If so, our marketing loan for cotton can begin to give the U.S. producer and the U.S. textile industry the benefits for which it was designed.

Thank you.

The CHAIRMAN. Thank you very much. We have been joined by my good friend Mike Espy, from the U.S. House of Representatives.

Mike, I am delighted you could join us.

STATEMENT OF HON. MIKE ESPY, A REPRESENTATIVE IN CONGRESS FROM THE SECOND DISTRICT, STATE OF MISSISSIPPI

Mr. ESPY. Thank you, Mr. Chairman. I don't have a formal statement. I would just like to thank you for coming to Mississippi and coming to the Second District. I would also like to welcome Senator Fowler and Senator Howell Heflin for coming into Mississippi as well. Of course, Senator Cochran is the host Member for this hearing and we know that he has been such a force on the Agriculture Committee and such a force in agriculture. I want to thank him for influencing your presence here today.

I don't know where you could go anywhere else in the United States and gain an appreciation of the things we need to do to revise some of the features in the 1990 farm bill. I don't know where you could go to consider representatives like we have here today to talk about revisions and how we can spur the development of alternative crops like catfish and vegetables and other crops. So it is great that you would come.

If I could advance a word of caution, though. On the House side the question on the 1990 farm bill is whether it will be policy driven, or whether it will be budget driven. I sit on the Budget Committee and I am really concerned that in the budget that we are considering now we are talking about a $2 billion cut to agriculture. I think that is too large a cut. I think that in order to do that we are going to really have to alter, quote-unquote, some of the principal features of the farm bill—reducing the target prices, revising the set-aside programs—and that is something that we don't need to do.

We know that we need to reduce the budget. We know that every category must take some kind of a hit. I don't want to do it in a draconian way or something that will really alter the income levels to the farmers in our region. I know you share that concern as well, but I really voice it on our side.

So, I appreciate you coming and I appreciate my being allowed to take some small part in this. And, Senator Cochran, thank you for having them here, and, Senator Leahy, thank you for coming.

The CHAIRMAN. Mike, I am glad you said that. As the Congressman has pointed out, he serves on the Budget Committee in the House, and the budget will have an impact. We have gone from around $26 billion in commodity programs down to about $12 or $13, and we will have to cut that another couple of billion.

I think the most difficult chore ahead of all of us on the committee is to do that in such a way that we don't suddenly become a decimating factor to agriculture throughout the United States. If we do, one of the things you have to realize is that our ability to feed ourselves is a part of our national security. We are the only major military power in the world able to feed itself and have food left over. When we do this farm bill we ought to keep that in mind.

Mr. Morgan, I am going to go to you, then to Mr. Hester.

Incidentally, let me explain these lights to everybody. The green light, it is obvious, talk as long as you want when it is on. The red light is just kind of a reminder to sum up.

Your whole statement will be made a part of the record whether you give it all or not. I would like you to hit the high points, those things you want us most to remember. We will then, even before we make the final committee transcript, we will send you copies of what you had to say. So, if you look at it and you suddenly realize, "Gee, I should have added this or I should have added that," you will have an opportunity to do that. Because we will use the record at these hearings—in Alabama, Mississippi, Arkansas, and Missouri, and the ones we will have in other parts of the country—for a very vital part of our resource, of the information we will need when we write the overall farm bill. So when you get your testimony back, if you see something you needed to add or a question that you wish you had answered differently, we will make provisions for that.

Mr. Morgan, it is over to you, sir.

STATEMENT OF REX MORGAN, CHAIRMAN, MISSISSIPPI DELEGATION TO THE U.S. RICE PRODUCERS LEGISLATIVE GROUP, INDIANOLA, MS

Mr. MORGAN. Thank you, Mr. Chairman.

BACKGROUND

I am Rex Morgan, a farmer, from Indianola, MS. My family farms rice, cotton, soybean, wheat, and catfish, in Sunflower and Bolivar Counties, and is now moving into its fourth generation of farming.

I presently serve as vice chairman of the Mississippi Rice Promotion Board, which has the responsibility of collecting and administering 2 cents per bushel on all rice grown in Mississippi. These funds are on a voluntary basis. Rice farmers put approximately $500,000 in research and promotion in 1988.

I also serve as vice chairman of the Mississippi unit of the U.S. Rice Producers Legislative Group, which you have referred to and are familiar with.

MISSISSIPPI RICE PRODUCERS ARE GENERALLY PLEASED WITH THE CURRENT FARM PROGRAM

I can say that Mississippi rice producers generally are pleased with the current farm program. The marketing loan provision has made rice competitive in world markets and works as intended with cycles that will occur from time to time based on world conditions. The cost associated with the program has not necessarily been a surprise, and we must not abandon it now and risk losing what we have invested in this program and lose what has been accomplished to date. In recent days, the price of rice has increased as supplies have tightened. I am sure this is good news to both Government and to rice farmers.

TARGET PRICE PROVISION

The target price provision of the present program gives assurance to farmers and lenders and serves as a safety net for production agriculture. It should be continued for this purpose, as well as guaranteeing the production of food and fiber for this Nation. Farmers generally receive only about 3 to 5 percent return on their investment with subsidies, and could not be expected to always produce for world market price.

Mississippi is unique in that many farmers produce as many as four crops that are subsidized—cotton, rice, wheat, and milo. This causes the method of payment to become a problem and limitations are reached on farm sizes that are not the most economical to operate. In many cases, the farms are reorganized and this causes inefficiency in their operation, extra ASCS paperwork, and ultimately some unfair tax burdens without real profits.

PLACING THE SUBSIDY AT THE FIRST POINT OF SALE

I would like to suggest that one way the program may be streamlined is placing the subsidy at the first point of sale. It would be easier and simpler to administer. Realistically, either a crop is worth subsidizing for the good of everyone or it is not. A direct income supplement is not in the best interest of the farmer or the Government, but a crop subsidized at certain times is in everyone's best interest for the survival of that industry. New regulations will always be forthcoming causing a new wave of paperwork and new deadlines. Why not make it simple?

AGRICULTURE HAS TAKEN A GREATER REDUCTION IN THE BUDGET

There has been a multitude of ways to save money in the farm program, when, in fact—as Mr. Espy has just referred to—agriculture has already taken a greater reduction than most other areas in the budget. With farmers receiving 7 percent less of the food dollar today than it did 10 years ago and a reduction in subsidies, it is real easy to see why rural America is drying up and is hard-pressed today. One way we have tried to save money, we have frozen our yields in the rice program. In the case of rice, most yields today are 20 to 30 percent higher than payment yields were when they were frozen because of new higher yielding varieties.

TRIPLE BASE PROGRAM

Another way that we have heard that we might save some money is the so-called triple base program, that has created some interest to cut program costs without reducing the target. This simply is just another way of reducing the target price This is proposed under the label of flexibility when in fact you simply reduce the payment acres. It also runs a great risk of damaging nonprogram crops.

CONCERNED ABOUT TRADE POLICIES

We are also concerned that trade policies negotiated could lead agricultural programs in the future and we feel this is a reversal of what it should be. Farm programs should be formulated first by those directly involved and not unduly influenced by others.

EXPORT PROGRAMS EFFECTIVE IN RICE MARKETING

Rice farmers have enjoyed the benefit of export programs, and they have been very effective in rice marketing. The Targeted Export Assistance Program has moved lots of rice for us, as has the export credit program. I think a part of the success of the marketing loan concept is the continuation of a strong export program.

Again, Mr. Chairman, these are highlights, and generally we feel that the farm program as written is performing as it was designed to and we urge you to stay the course.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Morgan.

Mr. Hester. Then we will go to the members of the panel here for questions.

STATEMENT OF ED HESTER, FORMER PRESIDENT, MISSISSIPPI SOYBEAN ASSOCIATION, BENOIT, MS

BACKGROUND

Mr. HESTER. Thank you, Mr. Chairman.

I am Ed Hester. I am active in the Mississippi Soybean Association and the American Soybean Association. It is a true pleasure to be invited here today.

The soybean farmers congratulate this committee for coming to the country to hear from farmers and others affected by the important decisions you make. The next farm bill you write will set the framework for U.S. agriculture for the next century. The stakes are high and the challenges significant.

FOUR TOP CONCERNS

I served on the American Soybean Association's 1990 task force of farmers who have been working for the past 15 months in listening and serving the soybean farmers. We have held many listening sessions of farmers around the country and found four top concerns looking toward the next farm bill.

The first concern is the environment. The second concern is the greater farmer freedom to make planning decisions. The third is the market-driven demand growth. And the fourth is soybean quality.

ENVIRONMENT

Environmental policy clearly overlaps with farm policy. I would like to focus on both today. We need balanced environmental policies which allow farmers to produce soybeans competitively and profitably while protecting the environment. Positive incentives to encourage sound environmental practices accompanied with increased education programs would go a long way toward continuing good stewardship of our productive land.

GREATER FARMER FREEDOM TO MAKE PLANNING DECISIONS

If farmers have more freedom to plant what is best for their farming operation, they can improve crop rotations. More balanced crop rotations mean better pest and disease control, conservative use of fertilizer and chemicals, and possibly lower farm production costs.

When I travel around the State, farmers tell me that they want to produce for the market, not the mailbox. They want greater freedom to make planning decisions on their farms. They want simpler farm programs. Now we spend, literally, days in the local ASCS office waiting in line to be told what to plant, where and how much of one crop or another. Why can't we report to ASCS the acres we grow instead of asking permission?

I know farm programs are voluntary. But farmers can't afford not to participate in farm programs and suffer the long-term potential economic consequences of losing base. Their bankers won't let them. Moreover, we remember the farm programs provided important support during the low prices of the mid-1980's, and that having base acreage is a key to benefits.

The market today offers some attractive profit opportunities for nonprogram crops such as soybeans. Why not give farmers greater freedom to grow soybeans for the market by allowing substitution without base loss? We suggest you explore operations which meet the various soybean regional interests to achieve this goal. For example, in the South there may be ways to increase soybean profits through modifications in farm program treatment of double crop soybeans.

Specifically, why should farmers have to set aside their wheat acreage reduction program [ARP] for their double crop soybeans? This is really a back door set-aside for soybeans.

CURRENT U.S. FARM PROGRAMS ARE DISCOURAGING PRODUCTION OF SOYBEANS

Under the farm bill, acreage reductions in soybeans or other program crops may not be required as a condition of eligibility for price support loans. The current U.S. farm programs are discouraging production of soybeans in the United States and encouraging production overseas. Farm programs' economics tell me to maximize production of program crops, namely, rice and cotton, which have a target price yielding greater returns than the market price for soybeans. Yet foreign competitors like Brazil and Argentina don't have a target price. They keep expanding their soybean production because they see that soybean cash prices are more profitable than cash prices of other commodities.

U.S. farmers get the signal to maximize production of program crops, while our competitors receive the opposite signal from the marketplace. As a result, U.S. production of soybeans and other oilseeds is down 31 percent and acreage is down 20 percent since 1979. Farm production is up 52 percent and acreage is up 22 percent. World demand for protein and vegetable oil is growing at 4 to 5 percent a year. U.S. farmers are reducing soybean acres in a growing market, while foreign competitors expand and seize profit opportunities from U.S. farmers.

CONSIDER THE IMPACT OF ONE CROP POLICY UPON ANOTHER

As you write the next farm bill, we recommend you carefully consider the impact of one crop policy upon another. The same farmer often grows several crops and must weigh the economic benefits of growing one crop over another. Soybean farmers would welcome the opportunity to work with this committee and the administration to pursue a creative solution to resolve these challenges facing soybeans.

TEA AN IMPORTANT TOOL

Our problems aren't low prices and high Federal costs. Our challenge is to achieve a policy which lets us produce a quality crop for the market, generate a profit and benefit from a growing world market. To benefit from a growing world market, we must also work to reduce unfair trade barriers. The Targeted Export Assistance Program, or TEA, is an important tool to combat unfair trade practices.

Soybeans face numerous unfair trade barriers, many of them in the European Economic Community, or the EEC. The EEC is our largest market and also our largest competitor. TEA has been very successful in offsetting trade barriers. For example, the TEA is responsible for increasing oil consumption in Portugal by 36 million bushels and by 8.5 percent in West Germany. TEA funds helped to increase the share of identified soybean oil on the market from 3.5 percent to 7 percent.

This committee included the TEA Program in the 1985 farm bill. We strongly urge—strongly urge that it be continued and strengthened in the next farm bill.

SOYBEANS HAVE MADE A PROFIT FOR THE FEDERAL GOVERNMENT

As you write soybean policy, please remember that soybeans have made a profit for the Federal Government in 3 out of the past 4 years. In 1988 alone soybeans generated $1.6 billion in revenue for the U.S. Treasury. This occurs because under the current soybean loan program the CCC acquires forfeited soybeans when prices are low, stores them and then sells them at a profit as the market price rises.

Soybeans should not be forced to take an additional budget cut, especially since the program is projected to cost only $116 million in fiscal 1990.

Mr. Chairman, that concludes my remarks. Thank you for the opportunity to be here.

The **CHAIRMAN**. Thank you very much.

What I am going to do, because I came here to the Southern and border States to listen, I am going to yield to Senator Cochran to ask questions so I can listen. Before I do that, just so you know how much I listen, Bill Gillon, who is here with us, is the top commodity lawyer on the staff of our committee, and I mention the fact that Bill is here because he is a native of Gore Springs, Mississippi. In fact, his mother and father, Earl and Peggy Gillon, who are cotton and soybean farmers, are here too. Now, when one of your top people on the staff—the people that have to tell me just what I am supposed to do right—when you have one of them from Mississippi you know your interests are going to be listened to.

Senator Cochran, I yield to you.

Senator **COCHRAN**. Thank you, Mr. Chairman. I want to thank this panel for being here and leading off our hearing today. We are, after all, trying to find out from those who are most directly affected by the farm bill what they think about it and how they think it can be improved. So I think it is appropriate that you are our lead-off witnesses today, representing those who have a personal experience with making a living on the farm and dealing with these programs while trying to comply with Government regulations and the requirements that are imposed on you by the farm bill.

In connection with the comments about the Cotton Marketing Loan Program, I was curious as to what your suggestions would be to the Secretary if you had an opportunity to outline for him a way to calculate an adjusted world price, which is his obligation under the Marketing Loan Program in the farm bill. How would you propose that he improve the way he goes about discharging that responsibility?

Mr. **EASTLAND**. Sir, what I would ask him to do would be to come up with a gauge to measure the relative competitiveness of U.S. cotton, and one way to do it I think—and this is not work that we have done but the National Cotton Council has done. They compare the exportable supplies of cotton in the United States against the exportable supplies of cotton in other cotton-exporting countries and then look at the percentage of world exports that the United States has compared to the percentage these other countries have.

If we have 10 percent of the exportable supplies, in theory, if we are price competitive, we ought to have 10 percent of the world's exports over a period of time, which I couldn't suggest whether you ought to look at it over 3 months or 5 months or 6 months. You have that gauge, and if we are not getting what our export competitiveness percentage should be, then the Secretary should use his discretionary authority, like he does for rice, to make an adjustment to the AWP, to lower the loan redemption price, to get the raw material into the hands of an exporting company so they can sell it overseas at a competitive price.

Senator COCHRAN. Can you identify enough strengths in the Cotton Marketing Loan Program so that you could justify a continuation of it as a mandatory program in the 1990 bill?

Mr. EASTLAND. I think the strengths, if you want the U.S. cotton producer to be able to produce for a world market, and if you want the U.S. textile industry to be able to compete at least in fiber cost against the huge flood of imported, foreign-produced textile goods that come into this country, then we have to have a mechanism by which not only the U.S. textile industry can acquire its cotton raw material at the same price that a European or an Asian mill does but you have also got to have a mechanism by which the U.S. cotton producers' fiber can be priced competitively overseas also.

I think the benefit is those two. In this whole argument that is going on the one thing that seems to be lost to me is the tremendous benefit to the U.S. textile industry, which is an industry that has spent billions of dollars to modernize, and has not folded up the tent but has tried to stay here and compete. The benefit that they would receive if we had a program that would let them get their raw material at a competitive price also.

Senator COCHRAN. Rex, in your comments you were talking about the challenge to the committee in writing the next farm bill and your judgment would be to stay the course, to keep moving in the general direction that we are headed in now in terms of farm bill provisions.

I wonder what your response would be about the current loan level and whether or not it interferes in any way with the marketing of the rice that you produce and whether or not we should guard against either lowering or raising that loan rate. What suggestions would you have for the committee about that loan rate?

Mr. MORGAN. Well, certainly the loan has served, as it has for many years, as a floor for production. We feel that it is important that it stay where it is, that this level not be moved down any lower. I do not feel that it is interfering with marketing loan as it has worked successfully in rice. I do think that if we move the loan any lower from where it is placed at this time there would be some uneasiness from producers or investors or people who have to invest in agriculture, and it would not be as stable as it should be. So I think it is very important that we maintain a loan in the area that we have it.

Senator COCHRAN. Ed, you mentioned the soybean producers needing to have more flexibility in terms of how much they plant and where they plant it, whether there are some set-aside acres or not. Do you favor keeping soybeans free from acreage allotments generally, quotas, target prices and set-aside programs?

Mr. HESTER. I think I can personally say that I think you would find that generally true throughout the soybean industry. The soybean has always been outside of the Government program and it continues to be directed in that direction. You have the limitation of payments and other things involved. If you start involving soybeans in any kind of Government program, you are certainly going to add additional burdens to that $50,000 limitation, and we just feel like it would be better to leave it outside of the program.

Senator COCHRAN. One provision of the 1985 farm bill is the authority for the Secretary of Agriculture to implement a marketing loan for soybeans. It was mandated for rice and for cotton in 1985, but it was only authorized for soybeans.

Would it be your view that we should make that a mandatory program or should we continue it as it is, as simply an authorized thing if the Secretary considers current stock and weather conditions and other international factors conducive to implementing that program?

Mr. HESTER. Senator, as you well know, you can't get 10 farmers inside of this room today to agree on any particular facet of this, and when you multiply that over——

The CHAIRMAN. I thought that only happened in Vermont.

Mr. HESTER. When you add that over 27 States, it really gets complex. Personally, I think it would be one of the greatest things we could do, to have a marketing loan for soybeans. But this, I am sorry to say, is not to be throughout the soybean processing States.

Senator COCHRAN. Thank you, Mr. Chairman.

The CHAIRMAN. I didn't mean to interrupt you, Thad.

Senator COCHRAN. No, that is all right.

The CHAIRMAN. But we find that same problem back home.

Senator Heflin.

Senator HEFLIN. Well, I am very much interested in the comments that have been made on the marketing loan, particularly in rice where it has worked well. I think the history of the marketing loan in cotton shows that when it was first initiated, we initiated it at an actual world price where it sold, and it pretty well eliminated the surpluses.

It had the effect also of deterring, scaring the Chinese and Australians and competitors in the rest of the world, and as a result they cut back substantially on their plantings. And then we moved forward where some people trying to keep the marketing loan from continuing to work periodically have kept the world price up where it was not actually the world price. Maybe the calculations that you suggest, I mean the suggestion that Liverpool prices and other prices around throughout the world as to calculating it plus the discretion to do it, and we now have allowed substantial surpluses to accumulate.

Today, at the world price, which we understand is close to somewhere in the neighborhood of 55–58 cents a pound, it can be operated with very little cost to the Government. There was discussion maybe a few months ago, a couple of months ago when the world price was lower than that there could be some cost to it. The Secretary testified last Wednesday about it and gave us indications that he is going to try, and we understand that they will endeavor to do it.

But other than the initial operation of the marketing loan in cotton it has really not worked. It just had mini-marketing loans, and that, as I see it, is one of the reasons why.

Now do you have any suggestions relative to—you have to have some discretion to the Secretary to be able to determine what the market price is. Maybe the extension of the loan period, some people are arguing that is too long. But you calculate it, Mr. Eastland, as really an issue of producer versus speculator. It is quite interesting to see how that—I don't know much about rice. We depend on Thad and Dave Pryor to give us information on rice in it. But on the comparison of the marketing loan between the rice and the cotton programs, has the rice program on the marketing loan continually been operated and been used? Is that one of the significant differences on the past history in recent, or say the last 18 months?

Mr. HESTER. Yes, sir. It has been used and it has been used very effectively, as we can see and as the supplies have moved well. And as I stated, here in recent days, in the past couple of months or month particularly, we have seen the price of rice strengthen quite a bit, and this has got to be the effect of the program that we see taking effect now. So, yes, it has.

Senator HEFLIN. Well, your loan rate on rice and the world market price on rice are just about equal, aren't they today?

Mr. HESTER. Getting close, yes, sir.

Senator HEFLIN. Right close in regards to it.

In regards to cotton, do you feel that lowering the loan rate below 50 cents a pound would be helpful or harmful, or what is your position on that, Mr. Eastland?

Mr. EASTLAND. I think if you had an operating marketing loan there would be no advantage to lowering the loan rate as far as moving cotton is concerned. I think the whole trouble with the cotton marketing loan is, unlike rice which started out asking the Secretary to use his discretion to make it work, cotton didn't. Cotton initially was started from the beginning according to this rigid fixed formula and the formula just didn't take into effect all the myriad factors that go into the total price of cotton, and I don't really think that you can get a formula that would do that.

The solution this industry tries, as you know, is to work through the National Cotton Council, which means we try to reach a consensus, and with the warring factions it is hard to do and it has taken us a long time, but we finally come around to asking the Secretary, the industry leadership did, last month to initiate the discretionary changes and make it operate similar to rice.

Senator HEFLIN. Do you think the National Cotton Council is going to be able to reach an agreement this time on a proposed cotton bill?

Mr. EASTLAND. Good question. I don't know. I honestly don't know. It is going to be as hard or harder, I guess, this time than it has ever been.

Senator HEFLIN. Mr. Hester, I am interested in hearing your comments on the marketing loan for soybeans, and there is a difference. We, in the South, can produce on an average of about 25 bushels of soybeans per acre—on an average, some places do better, some worse in regards to it—whereas the average in the Midwest and other places runs above 40 in some places. Anyway, around 40. Therefore, when you calculate the number of bushels into the number that you can produce on an acre basis, it means that the cost of production in the South is therefore higher, and therefore the break-even point on what the price of soybeans will be is very important.

You can pick out any figure, it will vary somewhat. But, assuming that a figure of about $5.20 a bushel is the cost of production in the South, whereas something in the neighborhood, you might say that $4.80, just using that as a rough, broad—is the cost of production in the Midwest. In those States, you have a problem pertaining to what the price might be as a result of increased plantings.

Now it affects the South different from what it would affect the Midwest relative, if the price of soybeans got down against the $5 level.

Now, since the drought came along and the Argentina situation, because of their drought, the price of soybeans is holding up pretty good today. But you mentioned how you might make a difference between the Southern approach to soybean as opposed to the Midwest, and as I gather, you advocate to allow in regards to double cropping.

Do you have any other feelings relative to other methods besides the double cropping allowance that you mentioned?

Mr. **HESTER**. Senator, there is a definite need for research whether or not it be in biotech or genetic engineering or whatever other means you have to come up with better yields and varieties in the South. We definitely need research here. We do not have the money from the State, nor can we seem to pass or check off bills to increase it for our own benefits, but there is a definite need.

When we started this industry in 1950, or thereabouts, the North and the South were essentially the same production, 20 or less bushels per acre. The South has stayed on. You said 25. Our numbers are 22 to—I think our average yield in Mississippi is something like 22 bushels, and it has been that since, roughly, the 1950's, and so it just hasn't had any kind of increase at all. But there is a definite need there for increasing our capability of producing a better variety of soybeans so that we can increase better yields per acre.

Going back to the drought bill that you referred to earlier, the Southern delegates for the American Soybean Association, when we made the recommendation, or the recommendation was made that we support this drought legislation, that we did so with the certainty that the marketing loan would be a part of that. When it came back supposedly the trade-off was for additional dollars per bushel, if it were to be needed, and thank goodness it didn't happen.

But we got the drought legislation and the so-called beginning of the flexibility problems, or procedures, but no marketing loan. So it is a give-and-take situation. We definitely have differences of opinions and different problems, as you have already alluded to, in the North and South, and it is real difficult to get that faction together.

The only thing that we suggest and what I was referring to, the point that I made in the set-aside, was that right now wheat, we can't follow wheat with soybeans on a set-aside acreage. We have to wait until the next year's crop. Whereas, the northern people in the corn area, they can follow directly behind their corn with wheat. So, you know, it is not exactly a fair situation. I think they are willing to give us that in order to get some of these other things.

There are so many balloons being pitched up at the present time with so many varied opinions and problems, but hopefully we can get together, and this will be in time to put together and formulate in June some unified recommendation that would come to the committee and, hopefully, get it into legislation.

The CHAIRMAN. Thank you very much. Senator Fowler.

Senator FOWLER. Mr. Hester, how come the soybean oil stocks have remained high despite the drought?

Mr. HESTER. I can't answer the question. I have asked that question and I have yet to get an answer. There are a lot of things. Why is soybean oil being permitted to come into this country, imported? As I understand it, the second biggest importer of Brazilian oil is the United States. The same way with Canadian oil coming out of Canada. We are second to India with oil coming in this country in imports, and we have such a surplus here.

And the so-called deal with the ship coming in and making $11 billion, just coming in and going out, it seems to me there is a lot of room for improvements in this area.

Senator FOWLER. That is all I have, Mr. Chairman.

The CHAIRMAN. Thank you very much. Congressman Espy.

Mr. ESPY. Mr. Chairman, it has been really helpful for me to sit here and listen to the experts recommend policy changes, or in some cases no policy changes.

I need to ask a question on the budget side, if I could. I have just been handed a note that I have to go back and be present in the morning at 9 o'clock for a House budget caucus, and there we will be talking about absolute numbers. And again, my argument is that you can't talk in absolute terms and yet nothing really takes place in a vacuum. You can't talk about $2 billion in agriculture budget reductions without hurting somebody.

So I would like to take this opportunity to just ask you within the context of your particular commodities, program crops and nonprogram crops as in the case of soybeans, where—if we have to cut $2 billion in the overall context of the 1990 farm bill, what area would be the, I guess the least harmful within the range? Would it be research programs? Would it be target price reductions? To cotton, woods; and, Rex, to rice; and to Mr. Hester on soybeans—what would you recommend as an area that we should go to first that would be the least harmful to your commodity?

Mr. EASTLAND. On cotton, I would look first at the Government paying interest and storage on this 8-month extension of the loan. I don't know how many dollars are involved in that, but that is one of the things that we instituted to try to make the Marketing Loan Program work and it probably ended up being to some degree counterproductive.

Mr. ESPY. Rex.

Mr. MORGAN. I am not sure I can come up with any way in the rice program that we could, or the farm program that we could really find any reductions. As I stated in my testimony, agriculture has already taken a big shot, and for the budget to look at agriculture even further is unfair, in my opinion. There are other areas that should be looked at much harder, I believe, than agriculture when we start talking about reductions.

Nobody in agriculture is doing real well. Agriculture is not a promising business right now. And, if we start taking bucks out of it, I think we will just see it suffer worse. So, if I had to make the decision, I couldn't right now. Because I don't believe that we can give up money that is needed.

The American public has got a real deal in agriculture—12 cents or a little better of every $1 goes to food—the lowest by far in the world. Why do we take more meat off the skeleton? You know, we went through an era here where we were going to have a shake-out of farmers, and we have had a shake-out of farmers, and the survivor was going to be lean and mean. I think if we go much farther we are going to have not any meat on the bone at all, and skeletons just don't operate very well. So I would caution you——

Mr. ESPY. Mr. Chairman, do I have your permission to ask Rex to come with me tomorrow?

The CHAIRMAN. In fact, I have a list of programs that he can fight for there too at the same time.

Senator HEFLIN. Russell Long used to say, and here it is on taxes, but it could be applied. Says, "Don't cut that program, don't cut my program. Cut the program of the man behind the tree."

The CHAIRMAN. Exactly what he said was, "Don't tax me and don't tax thee. Tax the man behind the tree."

Mr. MORGAN. There you go.

Mr. ESPY. I am just interested in your response, too. You talked at length about the TEA Program. I know it has been a great benefit to soybeans, and also we are finally beginning to get catfish into the TEA Program. We received about $50,000 last year under the TEA Program for catfish promotion, and now a lot of folks want to cut that.

Mr. HESTER. I think that would be a terrible thing to do. Of course, catfish and soybean are two with a very positive benefit, but you may add rice into that pot as well. It does a tremendous job in identifying and promoting these products overseas, and I don't think the money could be any better spent.

I was going to say the exact same thing that Congressman Espy just said. It is all right to cut some other folks, but don't fool with mine. You know, that is hard to do but that is the way it goes. I know that you are sitting on a—going to have to bite the bullet and make a hard choice, but I kind of agree with what Rex says, you know. It seems to me that there are other areas that should be looked at a lot more strenuously in hindsight than what we looked at it in agriculture. It just seems that we have bit the bullet already, and you only have agriculture and what? There is one area—defense, you might say, that is going to have to take this hit. We just feel like agriculture has already taken their share.

Mr. ESPY. Thank you.

The CHAIRMAN. Thank you very much, Congressman. Senator Cochran.

Senator COCHRAN. Mr. Chairman, let me thank the members of this panel very much. We appreciate you being here, taking the time away from what we know you would rather be doing and need to be doing. I know in Ed's case, I talked to him right before we started, and he is really itching to get out of here and get back to the fields. Many others are too. I think you have done a wonderful job in expressing the views and thoughts of those who are involved in production agriculture in Mississippi, and we appreciate you being here and helping us in this way. Thank you very much.

ALTERNATIVE AGRICULTURE

Mr. Chairman, our next panel is made up of those who are involved in nontraditional agriculture. A new industry in our State is catfish production, which is one of the largest in the State now. We have Seymour Johnson, of Indianola, who will be speaking on that subject. Forestry is an alternative use of our land. It is proven to be quite beneficial in many ways. We have Steve Corbitt, who is executive vice president of the Mississippi Forestry Association. And alternative agriculture is developed through the use of our research facilities here in our State and elsewhere. Bringing us new and varied opportunities for agriculture production, Dr. Verner Hurt, of Mississippi State University, who is the Director of the Mississippi Agriculture and Forestry Experiment Station at Mississippi State, and he is here to talk about some of the new advances and developments in research. I present them to you, Mr. Chairman, as our second panel.

The CHAIRMAN. Thank you very much, Thad. I am looking forward to hearing them. When I came down the last time with you, not only did we have a great catfish meal but you showed me some of the catfish farms. Last night Senator Heflin was showing me catfish prepared many different ways, which was excellent. He thought I actually might not like it. He threatened me—he said I could have catfish or chitterlings, knowing I would take catfish. [Laughter.]

But I like catfish. So, with that, Mr. Johnson, why don't we start with you, sir.

STATEMENT OF SEYMOUR JOHNSON, CATFISH REPRESENTATIVE, INDIANOLA, MS

BACKGROUND

Mr. JOHNSON. Thank you, sir. I am Seymour Johnson, from Indianola. I am a cotton, soybean, rice and wheat farmer and a catfish producer. It is my privilege to talk today about the cinderella crop of Mississippi—catfish.

PRODUCTION

To give you some idea of the impact that this production has had on the State, since 1977 we have gone from 7,000 acres to 95,000 acres. In poundage, we have gone from 22 million pounds to 295 million pounds last year. So we have gone over, acreagewise over 500 percent in 11 years, and we have gone over 1,300 percent in production, which means we have also learned to double the production in the same acre.

CREATED JOBS

It has created some 2,400 jobs on the farms, and more important, it has created some 3,800 jobs off of the farms through the processors and the local feed mills. It has been a godsend to us because it not only utilizes some of our poorer quality lands, but it also uses a large number of unskilled labor.

NUTRITIOUS PRODUCT

We are fortunate that we now are producing, with local grain, a highly nutritious, low-fat, low-cholesterol protein product in a controlled, unpolluted environment.

IMAGE PROBLEM

Now, we have not been satisfied, Senators, to just raise the product. We have had an image problem with catfish, and we have organized to overcome that image problem. We, as you heard last night, there are several ways to cook catfish, rather than just in corn meal, so we published a cookbook, and I have asked staff members to make sure either you or your wives get copies of it before you leave.

But we are also going nationwide. These are copies of ads that will appear in Newsweek, Time and People magazine this month. If you will notice, we are trying to improve the environment. We are talking about the water quality as much as anything, and I will come to a subject on that later. But we think we have made an impact with our promotion.

RAISED THE PRICE RECEIVED BY THE FARMER

We have raised the price, average price received by the farmer, from 58 cents in 1977 to 78 cents this spring, and we think it is partially due to our promotional efforts. This promotional effort is done by volunteer contributions from the feed mills that produce the feed in the State of Mississippi for about $2 million.

WORKING ON IMPROVING THE PRODUCT

We have also worked on improving the product itself. Not only the image, but the product itself. We have what we call the Mississippi Prime logo, and we now have eight processing plants which are going through a voluntary inspection program to raise the standards among themselves. In one year's time we have raised the quality standard on a 1 to 100 ratio from 76 to 93, so we think we are doing our part as producers.

HIGHLY CAPITAL INTENSIVE INDUSTRY

But before I brag too much on the crop, let me caution one thing. It is not a panacea for every farmer in the country. There are as many farmers that have gone broke trying to raise catfish that have made money at it. It is a highly capital intensive industry and people should recognize that before they enter it.

PROBLEMS

It is not without problems either. The "pollution of our oceans" scare has reduced consumption of fish in the United States some 20 or 30 percent in the last 6 months.

MANDATORY INSPECTION OF SEAFOOD AND FISH

Now, Senator Leahy, we would like to commend you on your efforts to install a mandatory inspection of seafood and fish. We support an inspection system for seafood to restore consumer confidence. Because the total fish industry is suffering and it is costing us as catfish growers this loss of confidence, although we are not in the same category. We would like to see this inspection system applied to domestic as well as imported fish. We think we would stand well in that system.

RESEARCH WOULD BRING DIVIDENDS

We are still a young industry. We still have a lot of opportunities. We think that research would bring a lot of dividends to this industry. We think there are still opportunities in genetic manipulation, disease control, water quality control and feed conversion, so we would like to support any agricultural research funds that you could see put into the appropriations in the next year.

I thank you for your time.

The CHAIRMAN. Thank you very much.

Let me go through the whole panel before we go to questions, and I would call on Mr. Corbitt.

STATEMENT OF STEVE CORBITT, FORESTRY REPRESENTATIVE, EXECUTIVE VICE PRESIDENT, MISSISSIPPI FORESTRY ASSOCIATION, JACKSON, MS

BACKGROUND

Mr. CORBITT. Thank you.

Chairman Leahy, Senator Cochran, and other members of the committee, my name is Steve Corbitt, executive vice president of the Mississippi Forestry Association. MFA is a 2,000-member nonprofit association composed primarily of private timberland owners, foresters, and forest products companies.

PERSPECTIVE

In my position at MFA, I certainly don't claim to be an expert on the implementation guidelines of the 1985 farm bill. My perspective today is from that of a private organization whose purpose is to conserve, develop, protect, and promote the forest resources of Mississippi.

EFFECTS OF THE 1985 FARM BILL ON ALTERNATIVE USES OF AGRICULTURAL LAND

My testimony today is directed toward the effects of the 1985 farm bill on alternative uses of agricultural land—specifically in my case to forestry—on the effectiveness of the program overall; and possible recommendations to consider when the farm bill comes up for review.

Simply put, I feel the 1985 farm bill could go down in history as being the singlemost important issue to positively affect net timber supply in the last half of the 20th century.

Net losses of our State's timberland base to agriculture and development since the mid-1950's have been quite measurable. Recent U.S. Forest Service data now show that Mississippi's commercial timberland base has increased since the last survey to almost 17 million acres. A great deal of credit for this can certainly go the 1985 farm bill.

SODBUSTER, SWAMPBUSTER, AND CONSERVATION RESERVE PROGRAMS MAKE THE GREATEST IMPACT ON FORESTRY

Though six provisions of the farm bill influence land use patterns in some way, the sodbuster, swampbuster and conservation reserve programs will make the greatest impact on forestry.

Sodbuster and swampbuster combine to slow the loss of acres being converted, while CRP adds timberland acres back into the land base.

In the southern forestry community, when we think of the farm bill we think of CRP. The 1985 farm bill has a projected goal for tree planting under CRP of 12½ percent of the total CRP acres. While I understand that this national goal has not been met, the program has made a much greater impact than this on forestry in Mississippi.

To date, a total of around 320,000 acres of trees have been planted in Mississippi under the program. This figure amounts to about 55 to 60 percent of the total acres enrolled under CRP and ranks second only to Georgia.

IMPROVED WATER QUALITY, ECONOMIC BENEFITS, REDUCED SOIL EROSION, AND LOWER COST OF SUPPORT PAYMENTS

Additionally, the program has resulted in improved water quality, increased economic benefits to the forestry community, reduced soil erosion, and lower cost of support payments for the Federal Government. It is my understanding also that over 40 new tree-planting vendors have gone into business in Mississippi as a result of CRP.

Up until the last signup in Mississippi, our hardwood regeneration under CRP had been small, somewhere around 2,000 acres. The wetlands eligibility guidelines implemented prior to our eighth signup will go a long way to improving the hardwood component under CRP.

I am told that the February signup totaled 73,000 acres, with 55,000 acres of this requested for trees, possibly the highest in the South. Of this amount the Forestry Commission here anticipates that 15,000 acres will go to hardwoods and wildlife practices.

Senator FOWLER. How many?

Mr. CORBITT. 15,000.

Senator FOWLER. Out of 55,000?

Mr. CORBITT. Yes, sir.

NEW GUIDELINES MAKE SENSE

These new guidelines make sense. They accomplish the goals of reducing surplus cropland acres and the cost of support payments. They also help to accomplish the goals of other initiatives deemed important to the American public and Congress without additional cost to our Federal Government.

The main thrust of the North American Waterfowl Management Plan is habitat protection in nesting and wintering areas across the continent. Expansion and improvement of wintering habitat under this plan can be partially accomplished by piggybacking on the efforts of these new guidelines under the farm bill.

The same can be said for the recently released report, "Protecting America's Wetlands," the final report of the National Wetlands Policy Forum. The Forum's singlemost significant recommendation is the national goal of "no overall net loss of our Nation's remaining wetlands base." This report recognized that forested wetlands, managed and harvested properly, are a preferred alternative to agriculture and development.

RECOMMENDATIONS

In closing, I would like to take a moment to briefly make some recommendations that Congress might consider when the farm bill next comes up for review. I feel these recommendations can improve the CRP program, while still remaining within the parameters of the program's objectives.

The first recommendation would be that Congress consider expanding CRP eligibility to allow prior converted lands. An example would be erodible croplands that were converted to pasture before CRP was introduced.

A second recommendation would be that Congress allow the 3-year prior ownership qualification to be waived. Now that the program is several years old, the concerns of unknowing landowners being taken advantage of should be less. This move alone could result in the national tree-planting goal being attainable under CRP.

A third recommendation would be to extend the contract time for tree planting under CRP beyond 10 years. This would be especially effective in encouraging the hardwood acres to remain in trees once the contract period ended.

MFA commends Congress for its efforts to promote soil conservation through the farm bill.

And I want to thank you for providing me the opportunity to testify today on behalf of the forestry community.

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. Corbitt appears at the conclusion of the hearing.]

The CHAIRMAN. Dr. Hurt.

STATEMENT OF VERNER G. HURT, RESEARCH REPRESENTATIVE DIRECTOR, MISSISSIPPI AGRICULTURAL AND FORESTRY EXPERIMENT STATION, MISSISSIPPI STATE UNIVERSITY, MISSISSIPPI STATE, MS

BACKGROUND

Dr. HURT. Mr. Chairman, distinguished committee members, I am Verner G. Hurt, Director of the Mississippi Agricultural and Forestry Experiment Station at Mississippi State University. I am pleased to have an opportunity to appear before you today to talk about our present and needed future research program on alternative agricultural products.

LONG HISTORY OF DEVELOPMENT

We have a long history at the Experiment Station, and a very successful history, in working with the development of alternative products in agriculture. We think right after World War II soybeans were an alternative product in this area of the world. A few years ago catfish was considered an alternative product. It is not anymore here. It may still be viewed that way in other sections of the country. We think that each of these industries has contributed tremendously to the economic well-being and development of our State and this part of the country.

RESEARCH IN OTHER AREAS

We are involved in research in a number of other areas, and I want to just mention a few of those. And I will, in the interest of time, depart from the prepared statement.

We are conducting research in potential aquaculture species in addition to catfish: freshwater shrimp; hybrid striped bass; crawfish, both the soft shell and hard shell variety; and redfish. In addition to looking at production technology, we are also looking at the processing, distribution, and marketing of these products, and of some of the latent fishery resources in the Gulf of Mexico.

SURIMI FROM CATFISH

Just last year we entered into a memorandum of understanding with the National Marine Fisheries Services of NOAA, Department of Commerce, to establish a processing laboratory on the Gulf Coast to develop and refine procedures for enhancing the value of butterfish and other species in the Gulf. We will also utilize this laboratory and some of our laboratories at Mississippi State to look at the potential of producing surimi from catfish, thanks to some support that we received from you last year.

DEVELOPMENT OF MUSCADINE JUICE

The research conducted by our scientists at Mississippi State in the use of muscadines that has led to the establishment of an industry. We think that what we have seen here——

Senator FOWLER. Excuse me, Dr. Hurt. What are you trying to produce from catfish?

Dr. HURT. Surimi.

Senator FOWLER. Shushimi.

Dr. HURT. Surimi.

Senator FOWLER. What is surimi? We call it shushimi bait in Georgia.

Dr. HURT. This is a product that has a very large market in Japan that is sort of a substitute for crab. You can make almost anything—it is a processed product. You harvest a lot of pollack off of the West Coast. A large part of the catch there is going into surimi.

The CHAIRMAN. That is where you can have a 10-foot long crab leg and they cut it off into little pieces and still charge you just as much. [Laughter.]

Senator FOWLER. I just wanted to be ready.

Excuse me for interrupting you, Dr. Hurt. You were already on the muscadines and scuppernong.

Dr. HURT. Muscadine juice, we think is a fine product. I think one of the important points about this is the fact that we had the marketing, processing, and production developing together, and that is one of the points that I wanted to make later.

KENAF

We are in the process of initiating research on the production and utilization of kenaf in Mississippi. We are trying to work with industry, and our plans involve public research scientists looking at production and utilization problems along with the potential industry users.

Senator HEFLIN. What is that now? What is kenaf?

Dr. HURT. Kenaf, it is a plant that is sort of in the same family as hibiscus. It produces a fiber that is widely grown in other parts of the world. Our interest here is that the fiber may and, we think, will substitute for bleached kraft in improving the quality of the newsprint from our southern pine pulpwood.

One of the problems with kenaf, it is an agricultural crop. It is an annual crop. You can't store it on the stump the same way that you can a pine tree, and that gets expensive. We have a joint program with Newsprint South to look at this along with some others.

PRODUCTION AND MARKETING BLUEBERRIES, OTHER FRUIT AND NUT CROPS, AND VEGETABLES

We looked at blueberries, other fruit and nut crops, vegetables, and watermelons—you name it, we have about been into it and are trying to look at other things to determine their feasibility from a production and marketing point of view. The important point is that we think that we have to have, even though we can produce a product, we have to find products where we have a market niche and where they can be produced profitably.

I think that is the main point that I would like to leave with you. Thanks for the opportunity of appearing before you.

[The prepared statement of Mr. Hurt appears at the conclusion of the hearing.]

Senator FOWLER. What are you going to do, drink the muscadine juice or do you have some other use for it?

Dr. HURT. Drink it. Well, you can ferment it, too, Senator.

Senator FOWLER. Oh, I know about that. [Laughter.]

Dr. HURT. It is a delightful white juice. We think it will compete very favorably with Welch's grape juice, not endorsing or talking about any particular product name.

Senator FOWLER. You are just talking about drinking?

Dr. HURT. Yes, sir. It is a beverage juice.

Senator FOWLER. No other industrial usage? You haven't discovered some industrial usage?

Dr. HURT. No, sir.

Senator FOWLER. Cleaning your windshield or something like that.

Dr. HURT. No, sir. [Laughter.]

The CHAIRMAN. I only know about fermenting things from my days as a district attorney.

Again, I want to turn this over to——

Senator FOWLER. I need to tell—you will forgive me, won't you——

The CHAIRMAN. I will forgive you anything, Wyche. You go ahead.

Senator FOWLER. I had a great grandfather who was a—I have been familiar with muscadine wine for a long time because I had a great grandfather who was a doctor, who was quite a card. They tried to run him out of town, this little town, Warrenton, Georgia, near Augusta.

So the head of the DAR, finally, as a peace offering when they discovered there was no more doctors around sent him a homemade bottle of muscadine wine for Christmas. The problem is my grandfather ran a urinalysis on the wine and wrote her back, said she had the worst case of diabetes he had ever seen. [Laughter.]

We haven't had any muscadine wine in our family since then.

The CHAIRMAN. Do you have any more stories like that? I see Senator Heflin is itching to get his hand on the microphone. We may take a little bit of a break before we get into the questioning. Go ahead, Howell.

Senator HEFLIN. Well, I just want to know about the research in corn, how you are coming on that. You have fermentation.

Dr. HURT. We don't have any research on fermentation.

Senator HEFLIN. We have a section of Alabama, not very far from the Mississippi line, we call Freedom Hills. And it is so rough a country, you know, you produced your corn, you didn't have any transportation problems, so you had to convert it into a form that could be carried out easy.

The CHAIRMAN. In a jug.

Senator HEFLIN. They had a fellow that wrote a poem, and he says:

Preachers may preach and the owls may screech,
And the revenue officers may ever be so sly,
But there will be stills in Freedom Hills
When the rest of the world goes dry. [Laughter.]

The CHAIRMAN. It is not without precedence that this committee gets off the track.

Mr. Johnson, before I turn it over to Senator Cochran, let me just ask you one question. As I look at the production—each time I have been in Mississippi I have heard more about catfish—and each time production has gone up very considerably. What about water? Are you running into a problem in keeping enough water so that you can continue this increase? What about keeping the water clean enough so that it doesn't affect other users?

Mr. JOHNSON. Well, we are aware that we probably are pulling the water table down. At 120 feet we have a large supply of water in the Mississippi Delta, but our water table has been drawn down over the last couple of years.

There is under way a water resource management system combining all of these counties together to have some sort of management system when that day comes. Hopefully, it won't come too soon.

The CHAIRMAN. That is one of the things I would be interested in, just how that system might work.

I actually have several good moonshine stories from the days when I was a prosecutor, but I don't really dare tell any of them here. So I am going to yield to Senator Cochran.

Senator **Cochran**. Mr. Chairman, thank you. I just want to thank this panel. I think we have had a good experience getting some ideas of how there are alternative ways of producing profitably other commodities or products on our lands and farms, whether it is timber, wood or wood products. These are valuable resources, our lands and forests in Mississippi, and we know that.

I think one of the most popular titles of the farm bill is the conservation and reserve program title. I am not certain, given budget constraints, that Congressman Espy has mentioned to you, and others, the realities of rewriting the bill, the extent to which we will be able to continue that program. But I think it is important for us to consider the possibilities for continuing that program and even making some modifications that would make it more attractive for certain kinds of lands.

I think Steve Corbitt has pointed out two or three suggested changes in that program that interest me quite a bit and that we ought to carefully consider, Mr. Chairman.

I think our research effort that Dr. Hurt has talked about is one that we can't overlook the importance of that, or overemphasize it either. They are coming up every day with new uses of agriculture commodities, too. This is something we really didn't go in in any detail today, but I know in hearings the other day in our Agriculture Appropriations Committee we were talking about developing ink from soybean and improving that to the point that it is going to be more economically attractive to many industries.

Are we doing any of that kind of research here in Mississippi, or do we have a capability of doing that kind of research here?

Dr. **Hurt**. No, sir, not directly. We are looking at alternative uses of products. We are just getting under way a fairly active food science program associated with other departments. We have developed some new uses of some of the horticultural crops. I can't think of anything quite related to the soybean ink, but we are continuing to explore different ways to use our products.

Senator **Cochran**. Mr. Chairman, thank you very much. Appreciate you including this panel on the agenda.

The **Chairman**. Thank you very much. Senator Heflin, did you have any questions?

Senator **Heflin**. No, I don't have anything.

The **Chairman**. Senator Fowler.

Senator **Fowler**. Let me follow up on what Senator Cochran said, in talking about forestry, to Mr. Corbitt. I look forward to working with your fine Senator.

With the indulgence of the chairman and the members of this committee, I serve as the chairman of the Conservation and Forestry Subcommittee of the Agriculture Committee. We had hearings in Macon, Georgia on March 13, 1989, last month, with this committee on our timber resources in this country, and as you know, at the time when we are jumping all over the Brazilians and the Argentines and everybody else to get them not to cut down their trees, despite all of our programs, private and public, we are still losing trees and our tree base in this country every year.

Part of that was, we can identify, especially in the last 2 years was caused by the repeal of the capital gains tax on timber, which some of us are going to attempt to restore now that we have the evidence of how much it has harmed our tree base.

And I notice that President Bush has announced what you mentioned also, Mr. Corbitt, on wetlands and no net loss policy. I want to see us do better than that. What we need is a net gain policy including an expansion of the CRP if we are going to have a sustainable policy on trees, which simply defined, we ought not to cut down more than we plant, and we are not doing that now in this country, much to our regret and to the long term detriment not only of the industry but of the resource of the country.

So I think we will have, I believe, Mr. Chairman, a conservation title in the 1990 farm bill, and I know from discussions with the chairman and Senator Cochran and Senator Heflin and other of our colleagues we are going to. As Senator Cochran said, we do have some valuable strengths, but one thing that has proved its worth has been the Conservation Reserve Program, and your suggestions, which I make note of, Senator Cochran and I will work together on that see, taking them very, very seriously.

Mr. CORBITT. Thank you.

Senator FOWLER. Thank you, Mr. Chairman.

The CHAIRMAN. Congressman Espy.

Mr. ESPY. Just one or two questions to Seymour.

The CHAIRMAN. Take your time.

Mr. ESPY. I appreciate you all appearing and the excellent testimony from each one of you.

But, to Mr. Johnson, you know we talk about catfish and it is a relatively new product on the universal scale of things. But then when you have a new product you always encounter new problems. I was looking at a national network news show a month or so ago and I noticed they did almost an 8-minute expose on one of these new problems. The cormorant, these birds of prey that come in and swoop down upon the fish ponds. If my memory serves me correctly, it suggested that these birds are eating up about $7 million a year in fish. They don't have to dive very far to get them, they are sitting right there. So it is more than just a little problem to this industry.

So I want to ask you—in fact, I even saw one, Senator, sitting on a cannon. You know, they have cannons out there——

Mr. CHAIRMAN. I saw the same thing.

Mr. ESPY. I want to ask you what new solutions have we come up with to remedy the problem, and just let me ask you a question. If it is naive, excuse me. But the same nets that we seine with, why couldn't we use these nets and put stakes on each side of the pond, stretch these nets out across the pond where it wouldn't prevent you from distributing your food, but it would prevent the bird from diving into the pond? What is wrong with that? Is that prohibitively expensive, or how come we can't do that? And what can you do?

Mr. JOHNSON. I would imagine costwise it would probably be expensive. I don't know what that netting would cost, but netting is not cheap and you would have to do the whole entire area.

But they are a problem, there is no question about it. I watched one yesterday, and, you know, they can garble up a about a pound and a half of fish in about 15 minutes.

Mr. ESPY. And these are endangered birds, so you can't just kill them?

Mr. JOHNSON. You know, I wonder if we couldn't have mitigation among the bird species. At the same time we have cormorants on the fish ponds, we are raising a lot of ducks and geese on these fish ponds that are an improvement to the environment. At the same time we are feeding unvoluntarily these cormorants that are really not adding to the economic improvement of the State. So I would like to propose that maybe the National Wildlife would let us do away with the cormorants in turn for raising more geese and ducks.

Mr. ESPY. Thank you.

The CHAIRMAN. Mike, I am glad you raised that. I remember seeing the same program, and we were chatting about it on the plane earlier.

Gentlemen, I thank you all. I was going to suggest we take about a 3 or 4 minute break just to stretch and then go to the open mike.

[Recess.]

OPEN MICROPHONE TESTIMONY

Senator COCHRAN. If we could come back to order. The Chairman has agreed that we could have a period for discussion of the interest and views from an open mike situation, where we invite individual members of our community and our State to come forward to present their thoughts to the committee.

Dr. Kent Wyatt is president of Delta State University, and we are asking him to serve as moderator of this part of our program. Dr. Wyatt has kindly cooperated with our committee in arranging for the hearings to be held here at Delta State University. Delta State is one of our really wonderful institutions of higher learning in Mississippi, and under his leadership it has really made a tremendous amount of progress and does a wonderful job for our State. Total enrollment has gotten up to about 4,000 students. They really have a lot of interesting and important programs here.

We also would like to ask him to serve, at this point, as moderator. We know we have some important officials who are here and we would like for them to be recognized.

Dr. Wyatt, we are going to call on you now and let you do the recognitions.

Dr. WYATT. Thank you, Senator Cochran and Senator Leahy and other members of the committee. It is certainly a pleasure for us at Delta State to host you today and we are delighted that you are here.

First at the open mike we are very pleased to have the Mississippi Commissioner of Agriculture, the Honorable Jim "Buck" Ross. Mr. Ross, would you have anything you would like to say at the mike. We would like for Mr. Ross to come forward, please.

Senator COCHRAN. Mr. Commissioner, could you come forward? We welcome you to this hearing. We are glad you are here today, and we want you to tell this committee what we ought to do.

STATEMENT OF JIM BUCK ROSS, COMMISSIONER, DEPARTMENT OF AGRICULTURE AND COMMERCE, JACKSON, MS

Commissioner Ross. First, I would like to express my sincere appreciation to Senator Cochran and Representative Espy for the great interest they show in agriculture. They are very valuable assets to the State of Mississippi.

And what we need immediately is a good rain.

The Chairman. Let me make a note of this.

U.S. GOVERNMENT HAS OBLIGATION TO AMERICAN AGRICULTURE

Commissioner Ross. I am not an expert farmer but I think that the Government of the United States has an obligation to American agriculture. This may sound naive, but I believe that production capacity of the American farmer is as great a deterrent toward aggressiveness on the part of Russia as is the Reagan armament program. I think Russia realizes they can't be a self-sufficient nation and that we here in America can produce far more than we can consume. Therefore, I feel like our Government has an obligation to keep American agriculture strong.

SIGNALS OF RECESSION

I saw some signals 10 years ago when we were taking more out of the bank than we were putting into the bank, which brought on an agricultural recession. Today, I see some of those same signals. In our area the price of land has increased approximately 36 percent. I am paying production credit, 11.60 interest. Interest rates are increasing.

The fiasco in Alaska, the accident in the North Sea has raised the price of gasoline in my hometown, which is smaller than Heflin, Alabama, from 83.9 cents a gallon to \$1.08$\frac{9}{10}$ cents per gallon. So the cost of energy is going up.

I think 10 years ago nothing Jimmy Carter could have done could have stopped it. Today, farm debt, our debt in the United States for the last 7 years has increased 600 percent, and of that debt 75 percent is owed by individuals and 65 percent of that debt is due within the next 3 years.

WORK TOWARD A BALANCED BUDGET

So, gentlemen, if I had anything to say to you, and I read President Bush's lips, it is that we need to work toward a balanced budget. That we need to be cautious about the overall economy in the United States. I wonder sometimes if the United States could afford to fight a war. That with our idea of, it seems that all of us want to have the very best standard of living we can have and very few of us want to do work that will honestly produce that standard of living.

ADVICE FOR THE AMERICAN FARMER—KEEP THE BEST SET OF BOOKS AND LOOK FOR GUIDANCE AND HELP FROM CONGRESS

And, if I had any advice to give the American farmer today, it is to keep the best set of books that they can possibly keep and to have your guidance and your help in Congress. Gentlemen, you are standing in some of the—there is an old axiom. Let me say it this way. As is the land, so are the people. And this is the best land the crow ever flew over, and the people here are some of the best people in the United States.

Thank you very much.

Senator COCHRAN. Thank you, Mr. Commissioner.

For the information of the committee, I know you have heard of Jim Buck Ross and have seen him in Washington from time to time. He is one of the finest Commissioners of Agriculture that our State has ever had. In my opinion, he is the best. And he has served as president of the National Association of State Agriculture Officials. He has really been a credit to our State and has represented us in many, many ways that have reflected credit on our State. So I am delighted he was here today and made those comments to our committee.

Dr. WYATT. The next person I would like to call to the open mike is the president of the Mississippi Farm Bureau, Mr. Don Waller.

Senator COCHRAN. Mr. Chairman, as Don Waller is coming to the mike, let me tell you, too, he is a real farmer himself. I was driving over toward Oxford one day from Batesville and I noticed this goodlooking cotton all on the side of the road there on Highway 6 going to Oxford. When I got there I said, "Who farms all that cotton land out there between us?" They said, "Well, if it was the goodlooking cotton, that is Don Waller's. He goes about it scientifically," they said. That is Don Waller, president of our Farm Bureau.

The CHAIRMAN. Mr. Waller.

STATEMENT OF DON WALLER, PRESIDENT, MISSISSIPPI FARM BUREAU FEDERATION, OXFORD, MS

Mr. WALLER. Thank you, Senator. Thank you, Mr. Chairman and members of the committee.

I am Don Waller and I do serve as president of the Mississippi Farm Bureau Federation and, as the Senator said, I do live at Oxford where I raise cotton and timber.

Thank you for this opportunity to present to the committee the views of the Mississippi Farm Bureau Federation [MSFB] relating to the 1990 farm bill. I have a detailed statement that has already been mentioned that I will leave with the committee, but I would like to take a few minutes to visit with you about some of our major concerns.

MSFB A STRONG SUPPORTER OF THE 1985 FARM BILL

MSFB has been a strong supporter of the 1985 farm bill and believes that it has been very effective in allowing agriculture to rebound from many of the economic difficulties that prevailed in the mid-1980's. The policies that were adopted as the primary objectives of that legislation have worked in concert with favorable macroeconomic conditions both in the United States and in global markets in which so much of our commodity sales are dependent.

CONTINUED IMPROVEMENT IN NET FARM INCOME AND ECONOMIC OPPORTUNITY

Continued improvement in net farm income and enhancing the economic opportunity for farmers in rural communities should be the most important goals of the next farm legislation. No better farm program could be enacted than one that is market responsive to supply and demand, rather than Government action, causing the market to determine production and price.

EMPHASIZE COMPETITIVENESS IN THE 1990 FARM BILL

By emphasizing competitiveness in the 1990 farm bill, U.S. agriculture will continue to move in the direction of expanding its present markets and opening new markets worldwide. Increasing trade is essential to cotton, rice, and soybean industries and we will be dependent upon the liberalization of world trade practices and upon promotion of economic growth throughout the world. In order for agriculture to benefit from opportunities to expand trade, it must enhance its competitive position from production, through marketing, overall quality and acceptability.

ALL COMMODITIES ARE INTERRELATED

Our policy further recognizes all commodities are interrelated and any changes in supply, demand or price of one affects the others. Program crop policies should not be developed at the expense of nonprogram crops and other commodities.

I would like to offer more detail to the committee on the commodity program provisions directly affecting cotton, rice and soybean producers.

LOAN RATES

Farm Bureau supports continued use of nonrecourse loans. We believe that loan rates should consider:

One, market prices; two, changes in market needs; and, three, stock levels.

TARGET PRICES

The Farm Bureau supports continued use of deficiency payments as an income supplement to producers of the crops that currently have deficiency payments in their program.

ACREAGE REDUCTION PROGRAMS

We support acreage reduction programs that are triggered when carryover supplies exceed workable levels.

COTTON AND RICE

The Farm Bureau supports the cotton and rice titles of the Food Security Act of 1985. We believe that competitive pricing of our products is a fundamentally sound and a desirable goal in farm policies. We also believe that it should remain as the most important aspect of agricultural policy objectives under the current and future farm bills. The marketing loan has assisted in making us competitive, although there have been some problems over the past year.

SOYBEANS

We continue to be concerned about the decline in the U.S. soybean acreage while foreign countries have increased their production almost acre for acre. At the heart of this issue is planting flexibility, which has economic, agronomic, and environmental implications. However, our soybean farmers remain opposed to any acreage controls, marketing quotas or the harvesting of soybeans on any acres diverted in compliance with a paid or unpaid acreage reduction program as a part of solving this problem.

ALTERNATIVE AGRICULTURE

The Farm Bureau believes that if sustainability is to serve as a guide for future farm programs it must include the use of technology and practices that both sustain and enhance productivity. Agriculture must be allowed to respond adequately to a growing demand for agricultural commodities because demands will continue to increase for growing populations and rising incomes.

CONSERVATION

We support the concept of a Conservation Reserve Program to improve soil and water resources. Any such program should provide limits to the total amount of farmland idled.

CONCLUSION

In conclusion, we believe that our proposal will benefit the cotton, rice and soybean industries as it provides the opportunity for profit to all of agriculture. The features I have outlined allow us to move toward market orientations provide continued assistance in the form of target prices and expand export markets. Only in this way can we maintain agriculture in a healthy and balanced condition.

We welcome the opportunity to work closely with the Senate Agriculture Committee in developing a sound and fiscally responsible farm bill. I would be happy to respond to any questions. Thank you.

[The prepared statement of Mr. Waller appears at the conclusion of the hearing.]

Senator COCHRAN. Mr. Chairman, I don't have a question for Don Waller, but I would like to thank him for being here and for presenting in the way that he has the views of the Mississippi Farm Bureau Federation. That is a very important organization in our State. A lot of people who are engaged in production agriculture take an active part in the Farm Bureau, and he is providing strong leadership to this organization. We appreciate you being here, Don.

Mr. WALLER. Thank you, sir.

Dr. WYATT. Next we would like to ask George Furr to come to the mike. And, George, if you would, please tell us who you are and where you are from. So we can get to others who might want to speak, let's try to hold our remarks as brief as we can, please. Time is of the essence.

STATEMENT OF GEORGE C. FURR, MEMBER, AMERICAN ACADEMY OF FAMILY PHYSICIANS, CLARKSDALE, MS

Dr. **Furr**. I am George C. Furr, a general practitioner and a member of the American Academy of Family Physicians. I received a B.S. degree in pharmacy in 1936 at the University of Mississippi and my M.D. degree from the University of Tennessee in 1941.

I worked at Chickasaw Ordnance for approximately 2 years before entering practice in Clarksdale, Mississippi, in 1944.

NEED FOR HEALTH RESEARCH

I appear here today to cite the need for health research needed to determine the effects on farmers, farmworkers and people of farm communities by different procedures recommended by the Department of Agriculture and other agencies. It is my opinion that this has been neglected or the findings are poorly disseminated.

We should thank Senators Lugar and Leahy for their update of the Federal Insecticide, Fungicide and Rodenticide Act of 1947. To me, 9 years is a long time to wait if recommended chemicals are producing birth defects and cancer. It is suspected that things recommended may affect the immune function, cause mutations, cancer, influence heart disease, hypertension, vascular diseases, strokes, muscular diseases, nervous system and mental disorders, activate latent virus infections and speed up aging.

I thank you.

Senator **Cochran**. Thank you very much for being here.

Senator **Fowler**. May I say, Doctor, that we are also going to be considering what is called a low-input agricultural bill, agricultural title to the farm bill which will encourage farmers voluntarily to reexamine their uses of unnecessary chemicals. We are going to give incentives for the first time, tax incentives for that, if we go this route, to encourage them to at least evaluate their use. Again, it is voluntary. But there are concerns that all of us have heard throughout the country from Americans in every State who just simply want to know why the Government can't ensure that the air they breathe and the food they eat and the water they drink isn't as free of contaminants as possible. We appreciate your support very much.

Dr. **Furr**. It is good to hear you are considering such a measure.

Senator **Fowler**. Thank you, sir.

Dr. **Wyatt**. That concludes the list I had prepared for me. If there are others of you who would like to address the mike, please hold your hand up, and we will recognize you.

Yes? As you come to the mike—you have one there in the middle of the floor, if it is more convenient for you, right there. If you would tell us your name and who you are and who you represent.

STATEMENT OF CURTIS HOLSTON, MEMBER OF THE MISSISSIPPI HOUSE OF REPRESENTATIVES, POPLARVILLE, MS

Mr. **Holston**. Yes, sir. I am Curtis Holston. I am a member of the Mississippi House of Representatives along with a friend and colleague of mine, Mr. Jimmy Green, from Itta Bena. I think most of you folks around here know him.

I am glad that you are here. I drove up from South Mississippi to get to meet with you folks and for the purpose of letting you folks be aware of what is going on in the House of Representatives in Mississippi.

The Speaker of the House, Mr. Ford, earlier this year appointed a group of us for a task force to work with rural development processing projects, and we will probably be meeting with some of you later this year to try to help us put a package together that will help move Mississippi forward. It is a real challenge to us who are serving on that committee, but I really wanted you to be aware of what we are trying to do and to let you know we are going to be calling on you sometime this year to help us get something going in Mississippi.

Thank you.

The **Chairman**. Thank you, sir.

Senator **Cochran**. Thank you very much. Is this the committee that is chaired by Steve, up in the Tupelo area?

Mr. **Holston**. Yes, sir. That is correct.

Senator **Cochran**. I have had a letter from him explaining the task force that had been formed and what some of the goals were, and I commend you for being involved on that, and we look forward to working with you. I think that could be a very important new area of activity for our legislature and State government officials to be involved in. I am glad to hear about it.

Mr. **Holston**. Let me say that our chairman, Mr. Holland, is not able to be here today. He is trying to plant cotton, so he called me last night and asked if I would come up.

Senator **Cochran**. Well, thank you very much for coming forward and making that presentation.

Dr. **Wyatt**. You are next. And would you, please, when you give your name, I need your address for the record.

STATEMENT OF DONALD ZAUBREACHER, SOYBEAN FARMER, NEW ROADS, LA

Mr. **Zaubreacher**. I am from Louisiana. Is it all right to speak?

Senator **Fowler**. Of course it is.

Mr. **Zaubreacher**. OK.

Senator **Fowler**. You had me for 10 minutes today.

Mr. **Zaubreacher**. OK, I am going to make it very short.

Senator **Fowler**. You are going to have to keep this to 2 minutes.

Mr. **Zaubreacher**. Well, we flew in, so we figure we would have maybe a minute of your time.

I am Donald Zaubreacher. I am a soybean farmer from Louisiana. I also farm wheat, corn and sugar cane.

Dr. **Wyatt**. Where in Louisiana? Would you give us that?

BACKGROUND

Mr. **Zaubreacher**. Pointe Coupee Parish, New Roads, Louisiana, about 50 miles north of Jimmy Swaggart, if you really want to get to where I am.

I have been on the American Soybean Association Board since 1968 and on the Foundation, and I am back on the ASA Board, and

I have been on the Soybean Promotion Board since 1968 when it was conceived. I represent the Louisiana Farm Bureau as their soybean chairman.

CONCERN ABOUT PLANTING FLEXIBILITY

I have a big concern about planting flexibility. For years and years, I was told that in order to get something from the Government we have to plant acres, have to have set-asides, have to reduce acres. Now all of a sudden we have to plant more acres.

I think if you are going to get into planting flexibility and have the discrepancy between the North and South widen by planting flexibility, and instead of increasing production of soybeans in the United States, if you drive the price down enough, I think you are going to have a reduction of soybeans in the United States.

I am totally opposed. I think it is un-American, it is unfair and it is unwise. If you want to discourage production in South America, I think the marketing loan would be much more feasible.

I would be glad to answer any other questions that you all have, and I am going to let you all go.

The **Chairman**. You made your points up here and we don't have a question. Count your blessings.

Dr. **Wyatt**. Thank you. Next back there.

STATEMENT OF JIM NEWSOME, CEO, MISSISSIPPI CATTLEMEN'S ASSOCIATION, JACKSON, MS

Mr. **Newsome**. Thank you very much. My name is Jim Newsome. I am the chief executive officer of the Mississippi Cattleman's Association. I appreciate the opportunity to express some of our views here to you this evening.

Dr. **Wyatt**. And we need your address.

Mr. **Newsome**. The address is 121 North Jefferson Street, in Jackson, Mississippi.

This afternoon I not only represent the Mississippi Cattleman's Association but also the National Cattleman's Association. The National Cattleman's Association represents over 230,000 cattle producers in the United States, and thus forms the biggest single sector of American agriculture.

SUPPORT LEGISLATION THAT EXTENDS THE TREND OF MARKET ORIENTATION

We do support legislation that extends the trend of market orientation for agriculture which was established in the 1985 farm bill.

OPPOSE COMMODITY PROGRAMS AT THE EXPENSE OF ANOTHER

We, however, oppose commodity programs which benefit one commodity at the expense of another. As an example, mandatory production controls for grain and dairy cow slaughter or divergent programs.

BE ON THE ALERT FOR HIDDEN ENVIRONMENT AGENDAS IN THE 1990 FARM BILL

We trust that you will be on the alert for hidden environmental agendas in the 1990 farm bill debates. These agendas can rob farmers and ranchers of land and water rights.

Because cattlemen are conservationists, a sound environment can be maintained through a cooperative effort between agriculture, Congress, and environmental groups. A sound environment can be maintained along with sound and modern agricultural production practices.

PROVIDE PRODUCERS WITH CURRENT RESEARCH DATA

We support a government body under the jurisdiction of the U.S. Department of Agriculture to provide agricultural producers with current research data in order to improve environmental conditions, yields and best management practices.

RESEARCH ON GROUND WATER CONTAMINATION

Cattlemen feel that comprehensive scientific research on ground water contamination is needed to determine problem areas. Only then can any problems be addressed and steps taken to prevent harm to the environment.

SUPPORT U.S. GOVERNMENT POSITION OPPOSING THE EC HORMONE BAN

We support the U.S. Government position opposing the European Community hormone ban. Cattlemen oppose the principle of using health claims without scientific justification as trade barriers. The ban is clearly a trade issue and not a health issue.

SUPPORT EFFORTS FOR CATTLE INDUSTRY TO RECEIVE A FAIR SHAKE IN THE URUGUAY ROUND

We support efforts to ensure that the cattle industry gets a fair shake in the Uruguay round of multilateral trade negotiations.

OPPOSE LEGISLATION TO INCREASE ESTATE TAXES

The National Cattleman's Association and the Mississippi Cattleman's association oppose legislation to increase estate taxes. The estate taxes are an indirect antifamily business tax. Cattlemen believe that the family farms and ranches must remain economically viable operations. Increasing the estate taxes will encourage farm and ranch breakups, result in absentee landowners and prevent families from passing their operations on to future generations.

CONGRESS NEEDS TO TAKE A STRONGHOLD FOR AGRICULTURE

Again, in closing, I would like to comment that production agriculture is becoming a smaller and smaller percentage of the American population. We have fewer and fewer Congressmen that are very active on the farm. Many are two and three generations removed from the farm, and therefore it is very important for gentlemen in your shoes to take a stronghold for agriculture and keep American agriculture on the family farm, and keep it the basis of the American population.

Thank you very much.

Senator **Cochran**. Thank you for being here and representing so effectively the cattlemen of Mississippi. We appreciate your contribution to the hearing.

Mr. **Newsome**. Thank you, Mr. Cochran.

Dr. **Wyatt**. Do we have any others? Yes, we have one here and then one over here.

The **Chairman**. We have time for one.

Dr. **Wyatt**. Time for one more.

The **Chairman**. We are supposed to be in Arkansas at 6 o'clock, so I think it is going to be a little bit tight.

Mr. **Slocum**. Mr. Chairman, I can get through long before 6. [Laughter.]

Dr. **Wyatt**. We cut the mike off in 2 minutes.

STATEMENT OF JERRY SLOCUM, PRESIDENT, MISSISSIPPI SOYBEAN ASSOCIATION, COLDWATER, MS

Mr. **Slocum**. That is plenty of time.

I am Jerry Slocum, from Coldwater, Mississippi. I am currently president of the Mississippi Soybean Association.

There are just two areas that I want to touch on today, and one of them has been talked about several times—flexibility. My friend Don Zaubreacher just mentioned it.

Let me remind you, or perhaps just point out to you that in Mississippi in this decade we have reduced our soybean acres from 4.2 million acres to about 2.4 million acres. Now the CRP program has not taken all of those acres. It has taken somewhat less than 600,000 acres.

MISSISSIPPI SOYBEAN FARMERS ARE NOT IN FAVOR OF FLEXIBILITY

If you want soybeans planted, we can plant them in Mississippi and we don't have to have flexibility. All we have to have is a market signal and adequate moisture. If the market signals $7 beans, we will get the acres planted if we have some moisture in the second half of May and the first of June. So flexibility is something that a southern soybean farmer, particularly a Mississippi soybean farmer, is not in favor of. We have the acres to put beans on down here in Mississippi and in Alabama and in Georgia. You are going to Arkansas tomorrow; the same situation exists there. You can get adequate bean acres planted if the market calls for it.

SOYBEAN PROMOTION AND RESEARCH ACT AND CHECKOFF EFFORTS

There has been one area that hasn't been mentioned today, the Soybean Promotion and Research Act that is fixing to be introduced by Senators Pryor and Bond. Mississippi soybean farmers have always supported checkoff efforts. We tried to pass an increased checkoff in our State legislature this past winter. We were unsuccessful. We are in favor of a national soybean checkoff, but, gentlemen, I would like to express a little bit of a hesitation, if I may, about the makeup of the Board, the United Soybean Board.

UNITED SOYBEAN BOARD AND CONCERN OVER THE MAKEUP OF THE BOARD

Under the legislation that Senators Bond and Pryor will submit, one-half of our moneys that are collected from Mississippi soybean farmers will automatically go to the national organization, the United Soybean Board. We will get two members on that Board based on the number of bushels that we raise. Some States can have as many as four members on that Board, two States in particular.

But it is my fear that you will have seven Corn Belt States that compromise about 40 percent of that Board, maybe up at the 42 or 43 percent, will control about 70 to 73 percent of the weighted vote, and they are going to dictate to me in Mississippi what they are going to do with my funds.

Senator Fowler. What do you suggest is a fairer proportion?

Mr. Slocum. What I suggest, sir, is more equitable board representation. In the U.S. Government we have a House of Representatives and we have a U.S. Senate, and every State in the U.S. Senate has two votes and every State in that House of Representatives is represented by his population. I would suggest an arrangement more akin to that than the current arrangement that is being proposed.

The Chairman. You mean, we could put a two-level board?

Mr. Slocum. No, sir. I don't know if it is possible to have an equal number of votes on the United Soybean Board. I fear that my friends in Iowa and Illinois and Nebraska and Indiana and Ohio and Missouri and Minnesota will disagree with me, and disagree very strongly with me. But under the new legislation, if I don't like what they do, I can come home but I can't bring my money with me. Under the current State passed checkoffs, I willingly contribute. Mississippians willingly contribute one-half of our checkoff funds to the national effort, and if we don't agree with their policies, we can take our money and we can come home and we look for a better avenue.

DIRECTORS BASED ON SOYBEAN PRODUCTION

I propose that each State be permitted a maximum of three directors based on soybean production. States with production of 3 million to 14,999,999 bushels would qualify for one director; States with production of 15 million to 69,999,999 bushels would qualify for two directors; and States with 70 million bushels or more would qualify for three directors. If a State chose to invest 65 percent of its net collections, then it would earn an additional director.

That ends my comments. Thank you.

The Chairman. Thank you very much. When you get the transcript back, if we could get some further thoughts on that, because the question Senator Fowler asked is the obvious one. Just how else do you do it?

Dr. Wyatt, I hate to, with all the nice things everybody has done for me in Mississippi each time I have been here, I hate to be ungrateful and cut it off here, but I am going to have to.

And, Thad, I would like to be able to stay much, much longer, but I was serious, we are supposed to go back to the base and ge up to Arkansas by 6 o'clock. I just looked at my schedule. It says we should actually get there at 6:30. Obviously, we won't make it there on time. But to get back on schedule, we will have to go.

Thad, I want to thank you for putting us on and making it possible for us to be down here again. I am delighted to have another opportunity to be here. Do you have any closing remark you might want to make?

Senator COCHRAN. Mr. Chairman, let me just again thank you for coming to Mississippi, and Senator Wyche Fowler from Georgia for being here, Senator Howell Heflin from Alabama for being here. I want to just say too, that I know there were others who were here that we did not have a chance to hear from. Sid Moss is our State Forester. Let me introduce him and commend him for being here and the help he gives us in understanding forestry issues and landowner issues.

Sid, welcome to the hearing.

Maggie Parker, who is here, is president, or chairman actually of Grown and Made in the USA, a campaign that promotes the national purchases of U.S. grown and made clothes and goods. Maggie, would you stand and be recognized? We appreciate your——

Ms. PARKER. Please check the labels.

Senator COCHRAN. Check the labels, yes.

Senator HEFLIN. Let me interrupt there. Instead of having the word "imported" on all those things, I am for substituting the word "un-American." [Laughter.]

Senator COCHRAN. Mr. Chairman, let me also recognize and thank members of my staff: Cheryl Howie, who is here and helped develop this program today, and Marianna Pepper, who is our agriculture specialist in my office in Jackson, who is here today; Mark Keenum, who is going to be in our Washington office as soon as this hearing is over and we turn him loose. We are very happy to have him as a new member of our Washington staff.

Thank you again, Mr. Chairman. We appreciate you having the hearing in Mississippi.

The CHAIRMAN. Thank you very much. We stand in recess.

[Whereupon, at 5:31 p.m., the committee recessed, to reconvene at 9:10 a.m., Tuesday, April 25, 1989, Crittenden Gin Co., West Memphis, AR.]

[Material submitted for inclusion in the record follows:]

APPENDIX

PREPARED STATEMENT OF STEVE CORBITT, FORESTRY REPRESENTATIVE, EXECUTIVE VICE PRESIDENT, MISSISSIPPI FORESTRY ASSOCIATION, JACKSON, MS

Chairman Leahy, Senator Cochran and other members of the committee, my name is Steve Corbitt, executive vice president of Mississippi Forestry Association. MFA is a 2,000 member nonprofit association composed primarily of private timberland owners, foresters and forest products companies.

In my position at MFA I certainly don't claim to be an expert on the implementation guidelines of the 1985 farm bill. My perspective is from that of a private organization whose purpose is to conserve, develop, protect and promote the forest resources of Mississippi.

My testimony today is directed toward the effects of the 1985 farm bill on alternative uses of agricultural land (specifically in my case to forestry), the effectiveness of the program and possible recommendations to consider when the farm bill comes up for review.

Simply put, I feel the 1985 farm bill could go down in history as being the singlemost important issue to positively affect net timber supply in the last half of the 20th century.

Net losses of our State's timberland base to agriculture and development since the mid-1950's have been quite measurable. Recent U.S. Forest Service data now show that Mississippi's commercial timberland base has increased since the last survey to almost 17 million acres. A great deal of credit for this can go to the 1985 farm bill.

Though six provisions of the farm bill influence land use patterns in some way, the Sodbuster, Swampbuster, and Conservation Reserve Programs will make the greatest impact on forestry.

Sodbuster and swampbuster combine to slow the loss of acres being converted while CRP adds timberland acres back into the land base.

In the southern forestry community, when we think of the farm bill we think of CRP. The 1985 farm bill has a projected goal for tree planting under CRP of 12.5 percent of the total CRP acres. While I understand that this national goal has not been met, the program has made a much greater impact than this on forestry in Mississippi.

To date, a total of around 320,000 acres of trees has been planted in Mississippi under the program. This figure amounts to about 55-60 percent of the total acres enrolled under CRP and ranks second only to Georgia.

Additionally, the program has resulted in improved water quality, increased economic benefits to the forestry community, reduced soil erosion, and lower costs of support payments for the Federal Government. It is my understanding also that over 40 new tree planting vendors have gone into business in Mississippi as a result of CRP.

Up until the last signup in Mississippi our hardwood regeneration under CRP had been small, somewhere around 2,000 acres. The Wetlands Eligibility Guidelines implemented prior to our eighth signup in February will go a long way in improving the hardwood component of CRP. I am told that the February signup totaled 73,000 acres with 55,000 acres of this requested for trees—possibly the highest in the South. Of this amount the Forestry Commission anticipates 15,000 acres will go to hardwoods and wildlife practices.

These new guidelines make sense. They accomplish the goals of reducing surplus cropland acres and the cost of support payments. They also help to accomplish the goals of other initiatives deemed important to the American public and Congress *without additional costs to our Federal Government.*

The main thrust of the North American Waterfowl Management Plan is habitat protection in nesting and wintering areas across the continent. Expansion and improvement of wintering habitat under the plan can be partially accomplished by piggy-backing on the efforts of these new guidelines under the farm bill.

The same can be said for the recently released report *Protecting America's Wetlands—the Final Report of the National Wetlands Policy Forum.* The forum's single most significant recommendation is the national goal of "no overall net loss of the Nation's remaining wetlands base." This report recognized that forested wetlands, managed and harvested properly, are a preferred alternative to agriculture or development.

In closing I'd like to take a moment to briefly make some recommendations that Congress might consider when the farm bill next comes up for review. I feel these recommendations would improve the CRP program while still remaining within the parameters of the program's objectives.

1. Congress should consider expanding CRP eligibility to allow prior converted lands. An example would be erodible croplands that were converted to pasture before CRP was introduced.
2. Congress should allow the "3 year prior ownership" qualification to be waived. Now that the program is several years old the concerns over "unknowing" landowners being taken advantage of should be less. This alone could result in the national tree planting goal being attainable under CRP.
3. Extend the contract time for tree planting under CRP beyond 10 years. This would be especially effective in encouraging hardwood acres to remain in trees after the contract period.

MFA commends Congress for its efforts to promote soil conservation through the farm bill. I want to thank you for providing me the opportunity to testify today on behalf of the forestry community.

PREPARED STATEMENT OF VERNER G. HURT, RESEARCH REPRESENTATIVE DIRECTOR, MISSISSIPPI AGRICULTURAL AND FORESTRY EXPERIMENT STATION, MISSISSIPPI STATE UNIVERSITY, MISSISSIPPI STATE, MS

Mr. Chairman, distinguished committee members, I am Verner G. Hurt, Director of the Mississippi Agricultural and Forestry Experiment Station, Mississippi State University. I am pleased to have an opportunity to appear before you to discuss our present and needed future research program on alternative agricultural products. Our research scientists in the Experiment Station in collaboration with our colleagues from the U.S. Department of Agriculture have a long history of involvement in exploring alternative products. A typical example is the work leading to the establishment of the soybean industry in this country. As you are well aware, I am sure, all of the development in this State and in the South in particular, has occurred since World War II. I wish that we could be assured that we would match this success story with efforts in other areas. Our success in other areas will depend upon the extent to which entrepreneurs are willing to make the capital investments, to develop the skills, and to take the risks associated with implementing programs associated with new products.

A more recent success story to which I feel those of us in our research and education system have contributed, in large measure, has been the catfish industry in our State. It is no longer an alternative enterprise for us even though it may be viewed as such by other sectors of the country. The catfish industry has contributed tremendously to the economic well-being, development, and overall prosperity of the Delta part of our State.

We are also conducting research related to other potential species such as freshwater shrimp, hybrid striped bass, crawfish—both hard and soft shell, and redfish. In addition to researching production technology, we are also involved in looking at the processing, distribution, and marketing of these products and of some of the latent fishery resources in the Gulf of Mexico. Just last year, we entered into a memorandum of understanding with the National Marine Fisheries Services, National Oceanic and Atmospheric Administration, to jointly establish a processing laboratory on the Gulf Coast to develop and refine procedures for enhancing the value of butterfish and other species in the Gulf that have a tremendous potential for generating economic activity in that section of our country. Just this year, thanks to some support that we have received from Congress, we will be looking at the potential for producing surimi from catfish.

The research conducted by scientists in the Experiment Station has led to the development of muscadine juice, a delightful product, and the establishment of an industry for its production, processing, and marketing in this State. The success that we have had thus far is an outstanding example of the need to bring along together the production as well as the processing, marketing, and distribution aspects of any new product.

We are in the process of initiating research on the production and utilization of kenaf in Mississippi. Our plans for this product also include the involvement of public research scientists examining production and utilization problems along with potential industry users. More specifically, Newsprint South, a subsidiary of Mississippi Chemical Corporation located in Grenada, and other public and private interests will be involved as we seek to examine its feasibility from a production standpoint. More importantly, problems associated with its utilization as a substitute for bleached craft in improving the quality of newsprint made from southern pine timber, based on a preliminary analysis, indicate that this product has some potential in this State. We feel that joint involvement all the way from production through final product utilization is essential if we are going to be able to launch new products.

Scientists in the Experiment Station along with our colleagues in USDA are looking at blueberries, other fruit and nut crops, vegetables and other ornamental horticultural species to determine their feasibility from a production and marketing point of view. One of the major challenges that we face is identifying alternative products for which a market niche for their production in Mississippi exists or for which a market niche can be developed. We cannot compete initially on a small scale with established producers and marketers for a share of their market unless some special circumstances prevail where we can produce and market the product profitably.

Finally, we are continuing research in our food sciences and related departments to develop products that consumers are willing to purchase at a price that will yield a profit to our producers. These products will be derived from some of our more traditional or even from new plant and animal species. We must also continue to seek and evaluate opportunities for the further processing of products that are produced in this State in order to make the maximum contribution to the economic well-being of all citizens of the State. For most of the food and fiber products consumed in this country, the economic activity associated with the product after it leaves the farm is greater than that in the primary production. If we are going to participate in this increased economic activity, we feel that we must have a solid research program to undergird it in the future.

I have been relatively brief in enumerating the number of areas in which we are involved and need to be involved in the future in our research program. I do appreciate the opportunity to appear before you and would be pleased to respond to any questions or comments that you might have.

PREPARED STATEMENT OF DON WALLER, PRESIDENT, MISSISSIPPI FARM BUREAU FEDERATION, OXFORD, MS

Mr. Chairman and members of the committee, my name is Don Waller and I serve as president of the Mississippi Farm Bureau Federation. I am a farmer from Oxford, Mississippi where I produce cotton and timber. Thank you for the opportunity to present to the committee the views of the Mississippi Farm Bureau Federation (MSFB) relating to the 1990 farm bill.

MSFB has been a strong supporter of the 1985 farm bill and believes that it has been very effective in allowing agriculture to rebound from many of the economic difficulties that prevailed in the mid-1980's. The policies that were adopted as the primary objectives of that legislation have worked in concert with favorable macroeconomic conditions both in the United States and in global markets in which so much of our commodity sales are dependent.

By most measures, the 1985 farm bill has been successful in meeting its objectives. Farm income has improved significantly due to:

(1) Record receipts from both crops and livestock;
(2) Modest growth in production expenses;
(3) An increase in acres planted to program and nonprogram crops;
(4) Stable land values;
(5) Increases in exports;
(6) A decline in stocks; and
(7) All around improvement in financial strength.

This has led to a greater degree of stability and optimism prevailing in agriculture today than there was in 1985 because farmers have stayed in business and reduced the burdensome debt loads of the early and mid-1980's.

Continued improvement in net farm income and enhancing the economic opportunity for farmers and rural communities should be the most important goals of the next farm legislation. Farm Bureau National Policy states:

"We favor a market oriented agriculture with supply and demand, rather than government action, ultimately determining production and price.

"Subsequent to the Food Security Act of 1985, a consistent market-oriented farm program should be pursued that would:

"(1) Rely less on government and more on the market;

"(2) Allow farmers to take maximum advantage of market opportunities at home and abroad without government interference;

"(3) Encourage production decisions based on market demand;

"(4) Provide income support at a level that would not interfere with opportunity for income from the market;

"(5) Encourage needed adjustments in resource use;

"(6) Minimize or eliminate the impact on nonprogram commodities;

"(7) Provide for minimal government stocks; and

"(8) Be consistent with and complementary to international economic and foreign relations policies."

The next farm bill should not only emphasize improvement in farm income, but recognize the international nature for our agricultural products. By emphasizing competitiveness in the 1990 farm bill, U.S. agriculture will continue to move in the direction of expanding its present markets and opening new markets worldwide. Increasing trade is essential to cotton, rice and soybean industries and will be dependent on an increase in world trade practices and upon promotion of economic growth throughout the world. In order for agriculture to benefit from opportunities to expand trade, it must enhance its competitive position from production, through marketing, overall quality and acceptability.

Our policy further recognizes all commodities are interrelated and any changes in supply, demand or price of one affects the others. Program crop policies should not be developed at the expense of nonprogram crops and other commodities.

With regards to targeting of benefits, we believe that payment limitations under the commodity loan, acreage reduction and disaster programs should be eliminated. If a limitation must apply to cash deficiency payments, we favor no limit lower than the present $50,000 limitation. Producers eligible to receive payments in excess of $50,000 should receive CCC generic certificates not subject to limitation. Also, payment limitation information should be modified to require only basic information from farmers. The long-term efficiency and competitiveness of our agricultural sector should be considered in any redirection of farm program benefits.

We also recommend that the Federal crop insurance not be required for eligibility to participate in Federal farm programs or drought relief programs.

I would like to offer more detail to the committee on the commodity program provisions directly affecting cotton, rice and soybean producers.

LOAN RATES

Farm Bureau supports continued use of nonrecourse loans. We believe that loan rates should consider:

(1) Market prices;

(2) Changes in market needs; and

(3) Stock levels.

If a minimum loan rate is set in the next legislation, it should be at a level that will not interfere with market based adjustments in the loan rate. If domestic prices become too high compared to world prices, the loan level should be adjusted according to the demand in the world markets. This type of loan rate also signals to our international competition that we will not provide them with long-term price protection.

TARGET PRICES

Farm Bureau supports continued use of deficiency payments as an income supplement to producers of the crops that currently have deficiency payments in their program. We also believe that adjustments to the target price system should continue to allow for future adjustments to market conditions while maintaining income levels for program participants. Necessary adjustments should only occur gradually while attempts to expand exports and address the issues of international markets access and subsidy practices can be confronted.

ACREAGE REDUCTION PROGRAMS

We support acreage reduction programs that are triggered when carryover supplies exceed workable levels. Increased efforts to expand market competitiveness must be assured by flexible price and income support programs resulting in acreage reduction programs used only to correct temporary imbalances, not as permanent acreage reduction devices.

COTTON AND RICE

Farm Bureau supports the cotton and rice titles of the Food Security Act of 1985. We believe that competitive pricing of our products is a fundamentally sound and desirable goal in farm policy. We also believe that it should remain as the most important aspect of agricultural policy objectives under the current and future farm bills. The marketing loan has assisted in making us competitive although there have been some problems over the past year.

The basic problem has been that the marketing loan has failed to provide producers incentive to market their commodities. The loan release problem stems from the fact that producers are satisfied to hold loan commodities when cash prices are so near the loan rate. This has resulted in a lack of incentive to market in a manner that provides adequate supplies to the market and therefore creates an artificially tight supply which diminishes our ability to compete. We believe that actions to correct this problem are in the Federal rulemaking process. We urge the committee to remember that any program provision that is so intrinsically dependent upon the dynamics of a fluid market must not be structured too rigidly or it will surely fail to adjust to changing market conditions.

SOYBEANS

We continue to be concerned about the decline in U.S. soybean acreage while foreign countries have increased their production almost acre for acre. At the heart of this issue is planting flexibility which has economic, agronomic and environmental implications. Several alternatives to increasing flexibility have been proposed and should be analyzed carefully. Farm Bureau has supported the enactment of an option included in the Food Security Act that allows a 10 percent interchange of base acres among program crops. A variation of this idea was extended to soybeans under the Drought Assistance Act of 1988 which allowed producers to shift between 10 and 25 percent of their permitted program crop acreage to soybeans or sunflowers. While Farm Bureau supported this program and the increase in planting flexibility, we continued to have concerns about the impact on soybean producers with no program crop base. Furthermore, we doubt whether this program alone will solve the erosion of our soybean production base. We are currently analyzing alternatives to addressing the soybean situation so that U.S. soybean production can respond to both domestic and international market signals and activities. However, our soybean farmers remain opposed to any acreage controls, marketing quotas or the harvesting of soybeans on any acres diverted in compliance with a paid or unpaid acreage reduction program as a part of solving this problem.

ALTERNATIVE AGRICULTURE

Farm Bureau believes that if sustainability is to serve as a guide for future farm programs it must include the use of technology and practices that both sustain and enhance productivity. Agriculture must be allowed to respond adequately to a growing demand for agricultural commodities because demands will continue to increase for growing populations and rising incomes. Agriculture and few industries in the United States have managed to preserve a comparative advantage capable of effectively competing in world markets. If agricultural commodity programs are not structured in a manner that will contribute to both sustaining and enhancing productivity it will mean that the industry will be incapable of competing in world markets. We also urge the committee to approach sustainability in a manner that will be useful as a guide to development and research rather than an immediate guide to implementation.

CONSERVATION

We support the concept of a Conservation Reserve Program (CRP) to improve soil and water resources. The program should include whole farm set-aside with protection of tenant farmers' rights. Reasonable limits on participation should be included to protect the economic stability of individual counties or regions.

If there are future restrictions based upon environmental factors such as water quality, then an environmental reserve program option should be provided. Under these circumstances, we support expansion of the CRP eligibility to include land that is not highly erodible but will improve water quality and other environmental factors—any such program should provide limits to the total amount of farmland idled.

CONCLUSION

In conclusion, the policy that could best offer prosperity to U.S. agriculture would be a commitment to fiscal responsibility and reducing overall Federal spending in order to get interest rates down, currency exchange rates in line and expand exports into the world markets. We, therefore, continue to support a balanced Federal budget and believe that it should be accomplished through spending restraint rather than new or increased taxes. We urge the committee to oppose any tax increases as a way to reduce the deficit and balance the budget.

We believe that our proposals will benefit the cotton, rice and soybean industries as it provides the opportunity for profit to all of agriculture. The features outlined above allow us to move toward market orientation, provide continued assistance in the form of target prices, and expand export markets. Only in this way can we maintain agriculture in a healthy and balanced condition.

The Farm Bureau will work closely with the Senate Agriculture Committee in developing a sound and fiscally responsible farm bill that would be easily interpreted by farmers and be simply applied to their individual operation.

PREPARED STATEMENT OF BUDDY PAGE, CHAIRMAN, LOUISIANA FARM BUREAU FEDERATION, COTTON ADVISORY COMMITTEE, COLUMBIA, LA

Mr. Chairman, and members of the committee, my name is Buddy Page. I serve as Chairman of the Louisiana Farm Bureau Federation (LFBF) Cotton Advisory Committee and also as a member of the LFBF Board of Directors. I am a farmer from Columbia, Louisiana, where I produce cotton, rice, soybeans, pecans, and beef cattle. Thank you for the opportunity to present to the committee the views of the Louisiana Farm Bureau Federation concerning proposals to be considered for incorporation in the 1990 farm bill.

It is the opinion of LFBF that the 1985 Food Security Act has generally accomplished its three major objectives: stabilizing financially stressed farm economy, enhancing export position for U.S. farm products, and preventing buildup of surplus stocks.

It is also the consensus of LFBF that the direction of the new farm bill should contain provisions and goals similar to the present act. Fine tuning may be warranted for the various commodity titles and these specific concerns will be addressed in the remaining portion of the testimony.

While Farm Bureau supports appropriate actions to be taken by Congress to address the budget deficit, we strongly believe that farmers have already borne more than their fair share of Federal budget cuts and should not be abused by any future proposed budgets. Agriculture has already taken $30 billion in cuts during the prior administration. Producers of the respective commodities cannot sustain any further drastic cuts in the target and support prices.

In 1988 the former Secretary of Agriculture chose to use his discretionary authority as provided to him in the present farm bill and opted to maintain program payment yields (PPY) at the 1986 levels for the duration of the 1985 act. The majority of county ASCS offices have refused to accept production yield data since the freeze was enacted. We recommend that ASCS again start accepting updated production figures from producers. We further recommend that producers have the option of participating in a farm program using either the 1986 level or the average of the 5 years preceding the year in question, excluding the year in which such yield was the highest and the year in which such yield was the lowest. This is being recommended to accurately reflect the productive potential of the land in question.

If support (targets, loans, etc.) levels are based on production costs in the future, the total economic costs must be used in determining these levels. The total economic cost must account for the true cost of land to the production enterprise and contain a suitable level of return to capital investments and to the operator's labor and management.

LFBF is opposed to the "planting flexibility" concept whereby nonprogram crops would be allowed to be planted on a portion of a program crop's permitted acres. In Louisiana, many soybean producers have very few if any program crop base acres. These farmers receive no support price benefits. Farm Bureau believes that all commodities are interrelated and any change in supply, demand, or price of one affects the others. Program crop policies should not be developed at the expense of nonprogram crops and other commodities.

Payment limitations under the commodity loan, acreage reduction and disaster programs should be eliminated. If a limitation must apply to cash deficiency payments, we favor no limit lower than the present $50,000 limitation.

LFBF is opposed to making it mandatory for producers to purchase crop insurance. In other words, we do not believe that mandatory crop insurance should be a prerequisite to participating in a farm program or for the acquisition of a farm loan. The current program contains far too many inequities for this matter to warrant any possible consideration.

U.S. agriculture, if it is to be a growth industry, will have to figure out ways to continue to compete in growing world markets. This cannot be done if we are simply going to use lower levels of input in order to maintain current levels of output. If the concept of "low-input agriculture" is to serve as a guide to practice, it must include the use of technology and practices that both sustain and enhance productivity. You cannot prematurely press for adoption of low-input agricultural practices before either the science has been developed or the technology is available. The research on low-input agriculture needs to define what is biologically feasible without being excessively limited by present economic constraints. If low-input agricultural practices do not contribute to higher levels of profitable output, farmers will be the losers.

Congress should not wait for the progress under the ongoing multilateral trade talks before writing a new 4- to 5-year farm bill. The next farm bill should not be based on what we hope will happen in the GATT talks. We have to assume a continuation of what we have now in world trade and go on that basis. We further support a continuation of the Export Enhancement Program to counter the export subsidies of the Europeans.

The following are specific concerns and recommendations for consideration during the 1990 farm bill debate for each respective commodity title.

COTTON

Until recently, the provisions of the cotton title had allowed all growths of cotton to be priced competitively for domestic and foreign delivery. However, several factors have combined to diminish the effectiveness of the cotton program.

The marketing loan is the backbone or key element of the cotton program. We are of the opinion that the marketing loan was the primary factor in restoring the U.S. cotton industry's share of the world market in 1986 and 1987.

Currently, many people within the industry share the concern that the Upland cotton program has not fully achieved its objective of assuring the price competitiveness of U.S. cotton both here and abroad.

LFBF strongly believes in the marketing loan concept as we have advocated a similar program for other major commodities. The Secretary of Agriculture has sufficient discretionary authority to adjust the AWP to whatever level he considers necessary in order to allow U.S. cotton to be priced competitively to domestic and foreign customers. The marketing loan concept can be made to work if the program is designed with adequate flexibility to react with a constantly changing market.

RICE

LFBF supports the maintenance of the rice title. We believe the 1985 Food Security Act has brought the U.S. rice industry to a point where it is competitive in international markets.

The marketing loan is the main provision of the 1985 act which has made us competitive in world markets, and we believe it must be continued. We also support the maintenance of a viable Public Law 480 program, as well as the maintenance of other government assisted export programs. These programs must also receive and maintain adequate funding if they are to be effective.

All provisions enacted regarding payment limitation plans should be structured to facilitate the efficient enactment of and to allow the full participation in the 1990 farm bill. We recommend that persons be considered as "actively engaged in farming" as determined by reasonable criteria. Just as landlords who receive a crop share rent are considered actively engaged, we believe waterlords who receive a crop share rent should also be considered actively engaged.

SOYBEANS

As stated earlier, LFBF believes program crop policies should not be developed at the expense of nonprogram crops and other commodities. Therefore, we oppose the growing of soybeans or any other oilseed crop on any set-aside acreage, permitted acreage, land diversion acreage, plant-back acreage, conservation reserve acreage, or any other acreage reduction programs from other crops. We also oppose government controls on soybeans.

LFBF supports the marketing loan concept for soybeans with a support level no lower than $5.02 per bushel. We also support an income enhancement program for soybeans and government assisted export programs including the Public Law 480 programs as are presently in force for soybeans and their byproducts.

SUGAR

We rigorously support the sugar program with levels set at no lower than present values of loan rates or market stabilization price.

DAIRY

Louisiana Farm Bureau is in favor of maintaining an effective dairy price support program. We support the continuation of government product purchases and retaining import protections of section 22.

Farm Bureau supports a strong and flexible Federal order program. We recommend maintaining the present geographic Class I differential structure. We feel this is necessary because present price levels do not generate adequate year-round fluid milk supplies for the Southeast nor do they cover total cost of more distant milk during short seasons.

Production in the Southeast was inadequate before raising differentials and production has still not increased relative to Class I sales or to the total U.S. production.

Farm Bureau opposes a single national order. Local and/or regional orders provide the best means of recognizing fluid milk markets.

WHEAT AND FEED GRAINS

LFBF generally supports the provisions of the 1985 Food Security Act as they relate to the wheat and feed grains programs. We support the target price concept and recommend a flexible loan rate to allow wheat and feed grains to be competitive in all markets.

In the last 5 to 7 years, many farmers in Louisiana have started growing wheat and feed grains for the first time. We feel some of the provisions of the 1985 Food Security Act should be adjusted to address some of the inequities these farmers face. PPY levels have stayed at the 1986 levels and do not accurately reflect the yields that these farmers are producing. Therefore, we recommend that producers have the option of using their actual program yields of the past 5 years, excluding the high and low year. In cases with no crop history, producers' yields could also be determined by comparable soil type or nearby farm yields instead of using the 1986 PPY level. We also recommend that in determining base acreage for wheat and feed grains, that the zero years not be used in the calculation of base.

SUMMARY

LFBF has been a strong supporter of the 1985 farm bill and believes that it has been very effective in allowing agriculture to rebound from many of the economic difficulties that prevailed in the mideighties. A new 4- to 5-year farm bill should contain provisions very similar to the present act. We believe that consideration of the previously outlined concerns will help to ensure that the 1990 bill will be even more successful.

On behalf of the Louisiana Farm Bureau Federation, I would like to thank you for the opportunity to express these views for your consideration.

Farmers Grain Terminal, Inc.,
Harbor Front Industrial Park, P.O. Drawer 1796,
Greenville, MS, *April 24, 1989.*

Hon. Thad Cochran,
Senate Committee on Agriculture, Nutrition, and Forestry, Senate Russell Office Building, Washington, DC.

Dear Senator Cochran: Attached is a working paper which has been developed by a Committee of the National Council of Farmer Cooperatives on which I serve. Please understand that this is a working paper, not a position paper, but it rather clearly outlines most of the options available for flexibility under new farm legislation.

Caution should be exercised on the issue of flexibility that the entire burden of providing that option should not be borne by the soybean producers. The soybean farmer has always refrained from asking for a high level of support from the Government. However, he has never said that he was willing to forgo his right to make a living. To turn loose upon him the entire acreage provided by flexibility will pretty much take from him the right to make a living in future years. Large surpluses and low prices are sure to follow expanded soybean acreage. The resulting acreage adjustment in response to these low prices will take place in the United States. Basic American fairness should allow the soybean farmer the flexibility to participate in program crops if the program crop farmer is allowed to plant soybeans and protect base.

Thank you for allowing me to file this statement. If I can answer any questions pertaining to the enclosed, I will be happy to do so.

Very truly yours,

Alex S. Curtis,
President and CEO.

Attachment.

Building Flexibility in the 1985 Farm Bill

BACKGROUND

While the current 1985 farm bill is not set to expire until 1990, debate has already begun on what changes, if any, should be made to address a variety of concerns. The purpose of this paper is to review the basic objectives of current legislation and identify what should be the objectives of any new proposal.

Prior to 1985, the basic objectives of farm legislation were:

(1) Provide income support for farmers; and

(2) Provide for orderly marketing.

In 1985, in response to concerns over the loss of export markets by the United States, a third objective was added:

(3) Allow U.S. agriculture to be price-competitive.

This led to the development and implementation of the marketing loan, Export Enhancement (EEP), Targeted Export Assistance (TEA) and other programs aimed at allowing U.S. agriculture to compete more effectively in both the domestic and international marketplace, while meeting the original objectives of farm legislation as outlined above.

Now, as debate begins on the 1990 farm bill a fourth objective has been identified:

(4) Provide farmers with greater flexibility to respond to market signals.

The need for establishing such flexibility as a fourth objective has become increasingly evident in recent years. A prime example is reflected in recent analyses of how current programs have in effect "locked" producers into certain cropping patterns even though market prices for alternative crops were sufficiently attractive to encourage needed shifts in production.

The question is how to provide additional flexibility, while continuing to meet the other basic objectives of farm legislation.

BUDGET IMPLICATIONS—A DRIVING FORCE

In addition, while not listed as an objective, the reality is that any farm program must be cost-effective and designed to fit within the parameters of the Federal budget. Federal farm policy continues to be budget-driven.

The administration's proposed budget for FY 1990 would reduce farm program costs by $2 billion with similar cuts in subsequent years.

The Congressional Budget Office (CBO) recently outlined a number of options aimed at achieving the proposed savings contained in the budget, including:

(1) Five percent annual reductions in target prices beginning with the 1990 crops;

(2) Five percent annual increases in unpaid ARP's over and above current levels beginning in 1990 (this would result in 35 percent ARP's for wheat and feed grains and 50 percent ARP's for cotton and rice by 1994);

(3) Elimination of EEP and Targeted Export Assistance;

(4) Loan origination fees; and

(5) Grower assessments (making target price protection an insurance program with annual premiums paid by producers).

IMPACT ON INCOME AND INFRASTRUCTURE

The main options continue to be reductions in target prices and increased ARP's. Taken together, both will continue to have a negative impact on U.S. agriculture in terms of farm income and employment of resources as well as the supporting infrastructure.

For producers, the combination of such programs also effectively limits their ability to offset increased costs with income from additional acreage devoted to alternative crops.

In effect, what we have in place today is a budget-mandated acreage control program. This is because set-asides no longer serve to balance supply and demand due to the realities of the international marketplace. As a result, reliance on such programs is resulting in loss of potential export markets, adversely affecting the rural infrastructure, and perhaps leading to production practices which may be environmentally harmful in the long term.

The real purpose of set-asides or ARP's today is simply to reduce the Federal Government's budget exposure by reducing the acreage eligible to participate in farm programs.

Question. Is there a better alternative?

A POSSIBLE ALTERNATIVE

Against this backdrop, the following changes in the 1985 farm bill are proposed:

(1) Require the Secretary to annually determine the quantity needed for each crop in order to meet domestic and export demand as well as provide for a reasonable carryover.

(2) Provide a marketing loan on each crop only on quantity determined needed to provide adequate supply as above.

(3) Maintain target price protection on same basis as current law (planted eligible acreage times program yield).

(4) Eliminate set-asides and paid diversion programs.

(5) Maintain long-term conservation reserve.

(6) Allow producers maximum flexibility to plant their entire acreage to any combination of program crops. (However, any program benefits would be subject to announced programs and whether producer had any established base or history for such crops.)

(7) Protect existing base and yield with authority to make needed adjustments.

EXAMPLE

Assume a producer has a 500 acre corn base and a 500 acre wheat base for a total of 1,000 acres. The established yield is 150 bushels of corn and 40 bushels of wheat.

Further assume for purposes of illustration that the announced program provides support for an amount of corn and wheat production equal to 80 percent of the base acreage times the established yield. (This is in contrast to a 20 percent set-aside.)

For corn: 80 percent (500×150) = 60,000 bushels.
For wheat: 80 percent (500×40) = 16,000 bushels.

This means that any production of corn in excess of 60,000 bushels and wheat in excess of 16,000 bushels would not be eligible for loans and deficiency payments.

However, producers would have a range of options:

(1) Plant 400 acres to corn and 400 acres to wheat with the remaining 200 acres planted to alternative program crops.

(2) Plant 1,000 acres to corn.

(3) Plant 1,000 acres to wheat.

(4) Plant any combination of wheat and corn on the entire 1,000 acres.

(5) Plant any combination of program crops (subject to any announced programs).

ADVANTAGES

- Maintains income support for farmers.
- Maintains orderly marketing nature of current programs.
- Allows U.S. agriculture to be price competitive.
- Provides flexibility for producers to respond to market signals and enhance their profitability.
- Provides opportunity to offset reductions in income as a result of continued budget pressure on existing farm programs.
- Minimizes/eliminates ARP's.
- Maintains long-term conservation reserve.
- Protects existing bases and yields.
- Minimizes costs of farm programs.
- Strengthens rural development through greater economic activity, fuller employment of resources, and diversifying of cropping patterns, which together helps maintain and strengthen the rural infrastructure.

Mississippi

Cleveland
Greenville

Total Population: 2,570,000

Total Land Area: 30,200,000

Number of Farms: (in thousands)

'82	'83	'84	'85	'86
53	51	50	48	46

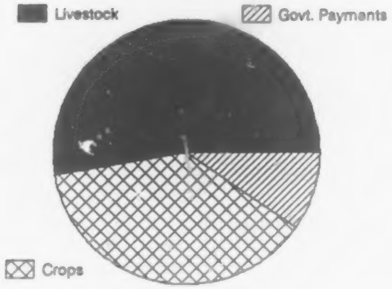
Farm Size: (acres per farm)

'84	'85	'86
284	294	304

Average Land Price: (dollar/acre)

'84	'85	'86	'87	'88
$939	$835	$752	$654	$658

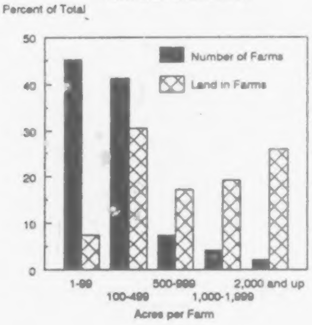
Cash Receipts
A $3.1 Billion Industry



Leading Agricultural Products (Value in Million Dollars)

1.	Broilers #5 in country	$489
2.	Cotton #3 in country	$289
3.	Soybeans #9 in country	$241
4.	Cattle #32 in country	$175
5.	Catfish	$240

Farm Size Distribution

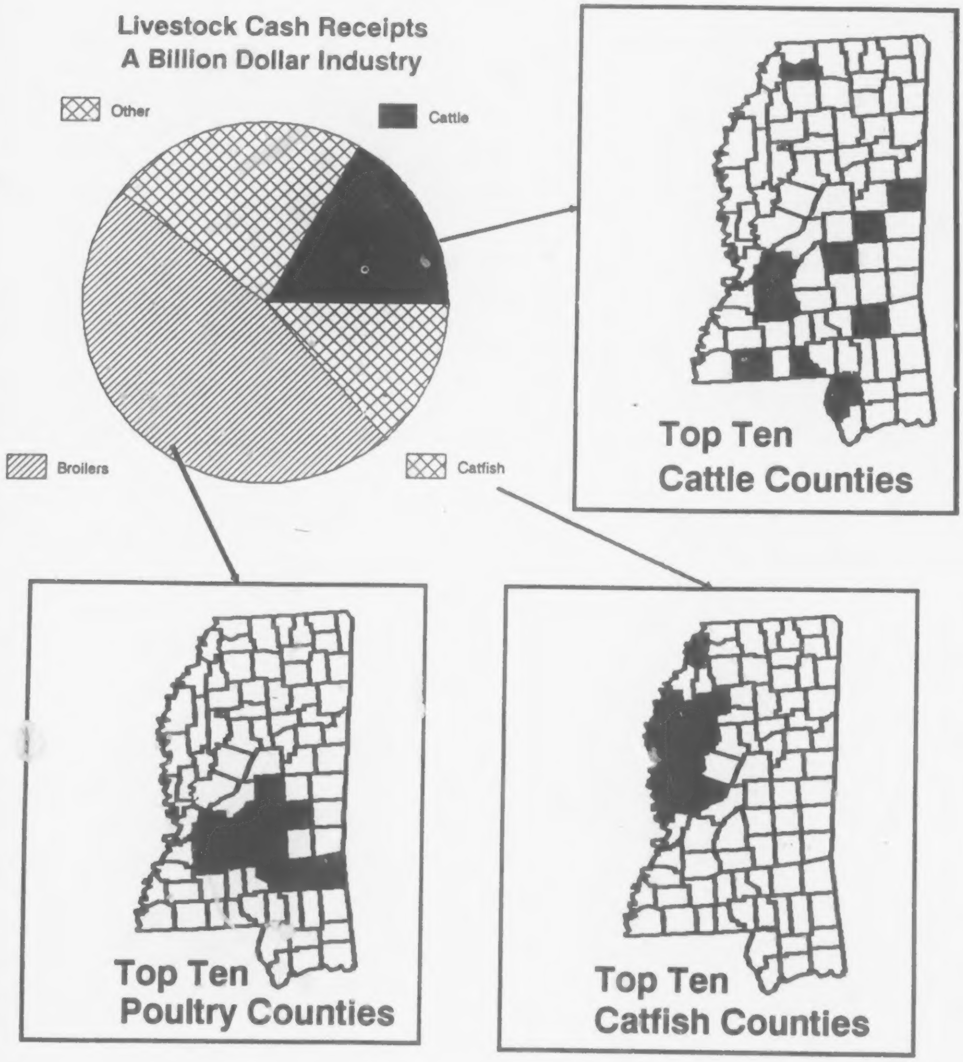


Total Farm Assets: (in billions)

'83	'84	'85	'86
$17.6	$16.0	$14.5	$13.0

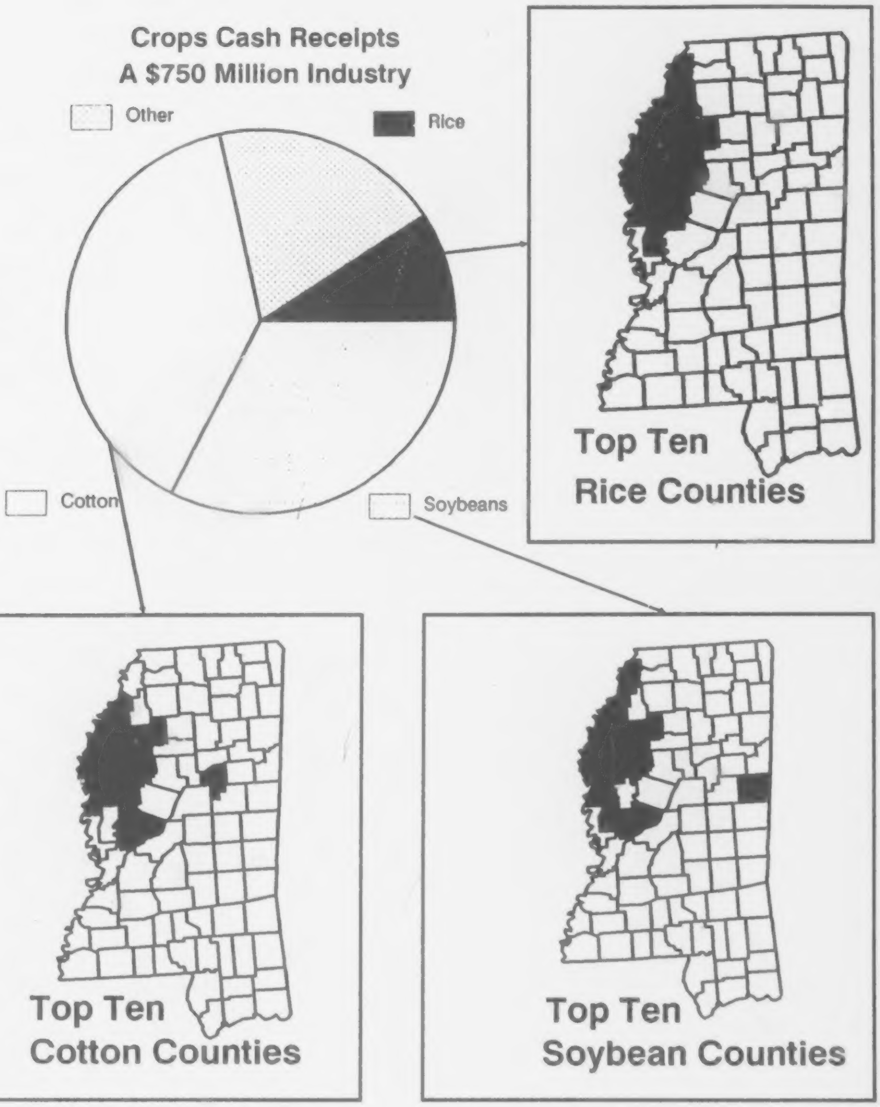
Total Farm Debt: (in billions)

'83	'84	'85	'86
$4.2	$4.3	$3.9	$3.5



Livestock Cash Receipts
A Billion Dollar Industry

Mississippi



Crops Cash Receipts
A $750 Million Industry

PREPARATION FOR THE 1990 FARM BILL

Commodity Programs and Conservation Issues

TUESDAY, APRIL 25, 1989

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Marion, AR.

The committee met, pursuant to notice, at 9:10 a.m., at Crittenden Gin Co., Marion, Crittenden County, Arkansas, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Pryor, Heflin, Fowler, and Bond.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. Good morning.

I am Patrick Leahy, Senator from Vermont here with the Senate Committee on Agriculture, Nutrition, and Forestry at the invitation of my good friend, Dave Pryor.

We have started the 1990 farm bill, with the Secretary of Agriculture, Clayton Yeutter, coming to testify before us last Wednesday. He delivered a traditional opening statement on behalf of the administration.

But I feel, as do the members you see here, that we can hold only so many hearings in Washington. It's far more beneficial to us as members of the committee to actually get out of Washington and hold hearings around the country.

When I became chairman a few years ago, I announced that I would hold field hearings. We did it with the farm credit bill, a bill that had been stalled for nearly 10 years. In one year's time, we were able to pass it, partly because we left Washington and listened to the people most involved with it.

Last year during the terrible drought, we again held field hearings. Members of the committee, both Republicans and Democrats, went around the country. A piece of legislation that everybody said would take 6 or 9 months was finished in 6 weeks, and it was a good piece of drought legislation.

We started off this week in Alabama and Mississippi yesterday, with Senator Heflin and Senator Cochran, and are here today with Dave Pryor, chairman of the subcommittee that will do most of the work on the 1990 farm bill; we are joined by a neighbor and good friend, Kit Bond, of Missouri. In fact, because Senator Bond will play a key role in the development of the bill, we will visit Missouri this afternoon.

Senator Heflin had me out on a farm in Alabama yesterday morning. He did everything except get me to eat chitterlings. The grits were good. He told me that my one problem was that I spoke far too fast, but I said that is because it's a whirl-wind tour, and if you are from Vermont you speak fast because if you are ever outdoors and spoke slowly, you would freeze to death.

We are also joined by Senator Wyche Fowler, of Georgia. I have been down to Georgia a few times with Senator Fowler for hearings.

That tells you why we are here, but I would like to now turn to our host Dave Pryor, my very good friend and extremely important member of the Senate Agriculture Committee.

STATEMENT OF HON. DAVID H. PRYOR, A U.S. SENATOR FROM ARKANSAS

Senator PRYOR. Mr. Chairman, thank you, and in behalf of farmers of the Delta region of the State of Arkansas, all of us want to welcome you and our colleagues to the State of Arkansas.

As you will note, once our witnesses begin, Senator Leahy, we do talk a little slower down here, and we hope that you will listen and listen intently.

Now, folks, to the best of my knowledge, this is the first time ever in the history of our State that we have had the chairman of the Senate Agriculture Committee in the State of Arkansas, for an appearance such as this.

I certainly can say that this is the largest number of Senators at one time from the Agriculture Committee that has ever come to the State of Arkansas for a hearing of this nature. And, as we have stated before, as Pat has stated, this is a part of a swing tour to listen to farmers who actually come in today from their own fields to testify, who might not ordinarily testify in Washington, D.C. before the Senate Committee on Agriculture.

I commend Senator Leahy, and I commend Senators Heflin, Bond, and Fowler, who have taken time from their very, very busy schedules in their respective States to come to the State of Arkansas to listen to the Arkansas farmer today in preparation for the 1990 farm bill drafting.

This is not going to be an easy piece of legislation. We will have to encompass and listen to farmers from all over the United States. We will have to listen to Senator Heflin's peanut farmers, for example, from Alabama; and Senator Fowler's from Georgia.

We will listen to the citrus growers; we will listen to every segment of the agriculture entities from this whole United States of America. The 1990 farm bill, I think, will be one of the critical turning points in the history of American agriculture, and all I can say is that, as one Senator from the State of Arkansas, as a member of the Senate Committee on Agriculture, I can just say that we are going to do our very best to do it right.

It won't be a piece of legislation that pleases every farmer, or every farming interest, but it will be one, I can assure you, where the heart has been in the right place, in attempting to draft a meaningful, constructive piece of legislation that we hope will have as its end result, a net income, a net income increase that will be the test for a successful piece of farm legislation.

Some say that we should just reenact the 1985 farm bill. Some say let's keep those programs that are working. I know that many of our rice farmers are here. Most of our rice farmers, not all, are happy with the marketing loan on rice. Many of our cotton farmers are happy with the marketing loan on cotton. We do know that there is a surplus of cotton today that we need to address.

We have some other areas—our soybean farmers. Today they want to see some changes in the soybean program. We want to listen to those recommendations, listen to them carefully because I can assure you we don't have all the magic solutions so we are going to the field today, and that's why we have come to the Crittenden Gin.

I want to thank the stockholders of this gin for making all of this possible. In fact, I might tell my colleagues that as late as 9 o'clock last night, a piece of tin up on the roof was flapping in the wind, and someone says, "Oh, this is going to be distracting."

Well, they got a group of roofers out here after 10 o'clock last night and repaired the roof. So that just shows you how excited our people are to host these members of the Senate Committee on Agriculture—Democrats and Republicans, alike, who are interested in drafting a farm bill.

Mr. Chairman, I do have a full statement, and I would like to place it into the record, and once again, thanks for coming to Arkansas.

[The prepared statement of Senator Pryor follows:]

PREPARED STATEMENT OF HON. DAVID H. PRYOR, A U.S. SENATOR FROM ARKANSAS

I want to begin by commending Chairman Leahy for providing members of the Senate Agriculture Committee with such an opportunity as this. I think all of us on the committee have long known that farmers understand what is needed in farm legislation better than anyone, and we are looking at some of the finest resources available right out there in that audience. I appreciate you including Arkansas as one of the stops on this swing through Southern States, and I extend my sincere thanks to each of my colleagues who have taken time from their schedules to join us here as we listen to the agricultural views of Arkansas farmers.

Most importantly, I appreciate each and every one of you in the audience for taking time from one form of work or another so that you could attend today's hearing. Today is for us to listen and learn, and for you to provide insight and understanding as to how the 1985 farm bill has affected you—and what you would like to see in the 1990 bill.

It is only fitting that we gather at Crittenden Gin Company for this hearing, because of the symbolism this gin represents in relation to the ever changing world of agriculture—Crittenden Gin is a new and modern facility which developed from several older gins that were not equipped for the future. Today it utilizes a state-of-the-art module system which has proven to be very effective and efficient. Once the cotton is ginned, they have the capability to warehouse their own cotton, which means more money for the producer down the line. They have also built a seed storage facility on the premises in order to store oilseed so that it can be held here, and sold at later dates for the best price available. Crittenden Gin has made major changes and instituted the use of modern technology—making changes, *when needed*, in order to ensure maximum net farm income for today's producer. I want to thank you Al Helms, for hosting us, working with us, and for providing such a fitting backdrop for today's meeting.

Coming to this part of the State to hear farmers is important because their statements will reflect much of what can be found in the rest of Arkansas' delta. The eastern third of our State is blessed with rich soil and there is an honored tradition of working this ground. The impact of the farm economy is widely seen here; not just on the farm, but in the communities they surround. Drive through much of our delta today and compare it to the boom years, and you would agree that perhaps the best rural development is simply a profitable farm.

The major row crops in Arkansas are cotton, rice and soybeans. Our two panels today will testify on these crops, and they will provide some insight as to how the conservation title affects the atmosphere within which they operate. I have enjoyed learning from many of you who have gathered here today, and I believe it is important for other members of the Senate Agriculture Committee to now have that privilege. Arkansas has long been closely tied to agriculture, and our economy remains that way. The current farm program has proven to be crucial in allowing many of our farmers to survive some difficult years. For a State that is the Nation's largest rice producer, sixth largest cotton producer and eighth largest soybean producer, it is an understatement to say that we are concerned about the direction that the upcoming farm bill might take.

There is much being said about cutting programs and becoming an entirely free-market agricultural producing country. However, this action is difficult to imagine at a time when foreign countries are continuing to maintain unfair trade barriers as they wait to see what steps America might take to relax our programs. Meanwhile, we continue to hear reassuring words from administrations that promise to press for open and expanded export markets abroad, and as comforting as these words are, they are words alone. Southern growers have presented the administration with an opportunity to follow through on those statements with affirmative action, such as the case of the 301 petition filed last year to gain access for U.S. rice to the Japanese market. Until we see more willingness to aggressively open these foreign markets, it will be a difficult job to convince those of us who view the world from this perspective that we can walk away from our programs, expecting others around the globe to follow suit.

Some of these programs have proven to be much more than a mere safeguard against unfair trade practices from abroad, but they have been a success in their own merit. The marketing loan program we have for cotton and rice has not only been embraced by producers, but the program's acceptance has reached across all segments of the industry as well. There has been discussion in Washington that the marketing loan wasn't working, that it is too expensive and hasn't accomplished its goals. I say that before we are too quick to criticize the concept we should first look at how it is administered. Last week I was very encouraged to hear Secretary Yeutter respond to Senator Heflin that possibly some fine tuning in the administration of the marketing loan would provide the impetus to move more product at less cost than currently is the case. I applaud Mr. Yeutter's opinion, as several of us have often requested just such a move.

Much of the talk of challenges and obstacles to agriculture center on subjects beyond our shores. However, as we prepare to enter the 1990's, there is a new challenge facing us at home, and that is our role in maintenance of the environment. In the coming farm bill, I expect to see more time and effort than ever before spent on the conservation title. Conservation is an issue that has attracted attention across the country, just as we have witnessed in Arkansas. Responsibility to the environment should be shared by the farming community, but those outside agriculture must remember that we are responsible for seeing that an economic balance be kept in place as we search for answers to these questions. We cannot mandate regulations on farmers that direct them to enact new farming techniques until we have scientific evidence and supportive research that prove paticular steps must be taken. Any change the Government requires farmers to make in order to address conservation concerns should be gradual and should always be mindful that all environmental problems do not stem from the farm. All aspects of agriculture will be affected by such legislation, and that is why I feel it is mandatory that the agricultural community be the source that decides what steps should be taken in addressing these issues.

Certainly there is a great deal facing us as we prepare to begin another farm bill. There will be equal discussion of the current programs as well as the challenges that face us in the future. I can think of no better place than the field to begin such a debate.

The CHAIRMAN. Thank you very much, and I would like to yield to Senator Bond, who is going to be our host this afternoon.

STATEMENT OF HON. CHRISTOPHER S. "KIT" BOND, A U.S. SENATOR FROM MISSOURI

Senator BOND. Thank you very much, Mr. Chairman. It's a real pleasure to be here with you, Senator Heflin, and Senator Fowler, to accept the gracious hospitality of our good friend David Pryor.

I had the opportunity to get to know your Senator when we served in the Governor's Conferences eons ago, and we enjoyed the hospitality of Arkansas then, and we are very pleased to be able to enjoy it again.

It is a tremendous pleasure for me, once again, to be working with Senator Pryor. With his help and leadership, we have worked on many problems on many diverse issues, ranging from food safety to soybean promotion legislation, and it is certainly a real honor for me to be here with him and the other Senators today.

Mr. Chairman, I have had some informal hearings throughout Missouri, one a few weeks ago just across the border in Portageville, and some of these fine Arkansas farmers came up and shared some of their views with us. I think that you will find, as you go about the country having these field hearings, that we are going to get much better ideas and a lot more comments that will be helpful to us than we may get in Washington.

I know my farmers in Missouri like to think of themselves as part of the "Show Me" State. I tell you when you get to a hearing like this, I expect that they will be able to tell us quite a bit.

Again, I'm honored to be here. I commend you, Mr. Chairman, and I thank you, Senator Pryor, for your hospitality.

The CHAIRMAN. Senator Heflin, did you have some comments?

STATEMENT OF HON. HOWELL HEFLIN, A U.S. SENATOR FROM ALABAMA

Senator HEFLIN. Well, I am delighted to be in Arkansas, which follows Alabama, and a few others, at the top of the list, but I want to commend Senator Leahy for having this southern tour; and he will have a tour of some other sections of the country.

We have a different agriculture in the South than most other sections of the Nation, and we even have differences within the South. I'm looking at this wonderful Delta land here, and I wonder how you all produce four and five and six bales to the acre, how my own farmers over in Alabama have to grub about a half a bale to the acre. So we have a few differences in regards to it, but we have a champion for the cotton industry, Senator Pryor.

Back in the 20's, we used to have a few Senators that were known as "Cotton Head" and "Cotton Tongue," and one "Cotton Ed" Smith of South Carolina fought the battles of the cotton farmer, and so we have our "Cotton Dave" out there, fighting the battle of the cotton farmer.

Senator PRYOR. What about the rice farmers and soybean farmers?

Senator HEFLIN. Well, I didn't want to call you "Rice Head." [Laughter.]

The CHAIRMAN. If Dave gets me into this hat, then you know he's really worked it out.

Senator **Heflin**. But we are delighted. It's a beautiful setting in here. I haven't seen any cotton lint, though. You all have cleaned it up too good, I think.

But it's a pleasure to be here and to listen to the farmers and the producers and see what they have to say about the cotton program, and the rice program, and the soybean program, and the other programs—the Conservation Reserve Program, all the other programs that are applicable to agriculture in this great State of Arkansas.

We had with us Sunday night, at a gathering, the president of Auburn University. He used to be president of Arkansas University, Jim Martin, and he said to give you his regards, when he knew that we were coming here.

We are delighted to be in Arkansas, delighted to be here. We want to listen, and we want to do what is best for the United States and the best for agriculture.

Thank you.

The **Chairman**. Senator Fowler. Now, I want you to be able to brag on Georgia a little bit while you are here.

STATEMENT OF HON. WYCHE FOWLER, JR., A U.S. SENATOR FROM GEORGIA

Senator **Fowler**. With all this regional pride and regional competition, yes, Mr. Chairman, I am pleased as a Georgian to be here representing one of the Thirteen Original Colonies. [Laughter.]

The **Chairman**. Is that a State? [Laughter.]

Senator **Fowler**. I think everything's been said. We are here to listen and to learn, but we are also here because, as you might imagine, the committee gets requests from all 50 States, the 13 original ones, and the rest, to come and listen to their people.

The real reason we are here is because of our respect for David Pryor, not only the contributions that he has made in agricultural policy for your State but our country, but also I'm sure some of you know this, but he is the father of a law we just passed, signed into law by President Reagan, the Taxpayer's Bill of Rights. It finally gets it back straight where the benefit of the doubt is with the taxpayer; and we are not going to tolerate any abuses by IRS who sort of go after taxes like you are going after your insurance sales quota.

He was our leader, as he is in so many things. The quality of a state is often judged by the men and women you send to represent you. David Pryor's election by the people of Arkansas is a tremendous credit on the good sense and good wisdom of people of Arkansas, and we thank you for it.

The **Chairman**. Thank you, Wyche.

David, as a member of the 14th State into the Union, in typical Vermont fashion, we were very, very careful about these things. We wanted to make sure this thing worked before we got in. We let the other 13 go out there and check it out, and we came in.

But, David, I wonder if you could introduce the panel, and go ahead and proceed with the hearing.

Senator **Pryor**. Mr. Chairman, and my colleagues, we have our first panel this morning, and we have asked for the various associations—first, our cotton group to recommend someone who could speak for their association this morning, and they have chosen Mary Ann Arnold, a cotton farmer from Marked Tree, Arkansas, just up the road from here.

Mary Ann, we look forward to you and your statement. We will also have some questions for you later.

And then after we finish with our two panels, we will have a live mike, where people can come down and make comments.

You will notice this little box that we brought from Washington, D.C. When this red light goes on, I hate to tell you your time is up, and it will go on in about 5 minutes. All of your testimony will be placed in the official part of the record, and we will appreciate you trying to limit your remarks to 5 minutes, and then we will go to our next panelist.

The CHAIRMAN. I wonder if I could make just one suggestion I've always thought would be good for hearings.

As Dave says, your whole statement goes into the record. You will get back a copy of the transcript, so that if there is something that you would like to supply before it becomes the official record, so if somebody finds that, yes, I should have added one more point on this, I should have put that point in, we will give you room to put that back into the transcript.

And that is extremely important, not just because you make a new record. It is very important, because as we write this bill, those are the transcripts that our staff and the various Senators will go back to, in sustaining what we are going to put into the legislation.

So, if we ask a question, and you answer it, and you look at the transcript, and say, "Gee, I should have had this other thing," please feel free to do it.

Your whole statement, as I said, will be part of the record, and one thing I have found very good—if you want us to remember one point, now, hit that one, and hit it hard.

Thank you.

Senator PRYOR. Mr. Chairman, please note that we are also proud to have in our company today, Mr. Lon Mann of Marianna, Arkansas, who is past president of the National Cotton Council. And now Mary Ann, please begin.

STATEMENT OF MARY ANN ARNOLD, COTTON PRODUCER AND GINNER, MARKED TREE, AR

BACKGROUND AND APPRECIATION FOR FIELD HEARINGS

Ms. ARNOLD. I am Mary Ann Arnold, a cotton producer and ginner from Marked Tree, Arkansas, and it is a real pleasure to have this opportunity to offer comments here today.

First, Senator Pryor, let me say how much we appreciate your bringing these hearings to the country to gather comments from the farmers that will be directly affected by the next farm bill.

SEVERAL OBJECTIVES IN THE COTTON TITLE OF CURRENT FARM BILL

In passing the cotton title of the current farm bill, Congress had several objectives in mind. Essentially, these were to: build greater market orientation into the cotton program; regain lost export markets; provide an income-safety net for producers, and contain program costs within reasonable levels.

FINE TUNE AND EXTEND

Overall the program has worked very well. While the act probably needs some fine-tuning, the basic concept is sound and the legislation should be extended without major changes in the rules.

ARKANSAS COTTON PRODUCERS SUGGESTIONS

In very general terms, it is my perception that cotton producers from Arkansas believe that:

One, prices to domestic and foreign customers should be the same—with the possible exception of shipping cost differences. Export subsidies give foreign manufacturers an unfair advantage in competing for the U.S. textile market. Somehow, someway, we must make those adjustments necessary in the law which will allow our fiber to be priced competitively to domestic and foreign customers.

Second, the Government cotton programs should be voluntary and as flexible as possible. The mandatory acreage allotments and marketing quotas of the fifties and sixties built up the largest cotton surpluses in history. We don't want to return to a program of proven ineffectiveness. To the contrary, farmers would like to be able to manage plantings and crop rotation for maximum long-term benefit.

Third, farmers support the loan and target price concept, especially in conjunction with the marketing loan. The CCC nonrecourse loan is an orderly marketing tool, based on the previous 5-year spot markets, or in some instances, prices in overseas markets. The loan should be set at a level which will help stabilize market prices during harvest without jeopardizing our ability to compete effectively for markets throughout the world.

Fourth, foreign and domestic market development programs should be expanded. They work.

We urge you to guard against attempts to make payment limits so restrictive that efficient farm businesses or effective supply management programs cannot function properly.

COTTON PROGRAM MUST BE REVIEWED

The cotton program must be reviewed as a part of a strategy for expanding both the *size of the total cotton market* and *the market share for U.S. cotton*. Fundamental requirements for achieving a viable, competitive cotton industry include: first, an effective and coordinated market development strategy—involving competitive *price, quality,* and *promotion* considerations; second, adequate research programs; third, workable trade policies; and fourth, reasonable regulatory statutes.

MODIFY EXISTING RESEARCH AND PROMOTION LEGISLATION

On another front, cotton producers want to modify their existing research and promotion legislation to enable the assessment to be made on the cotton content of textile imports and to deny refunds on the domestic assessment. This modification will strengthen an already highly successful program, thereby enhancing the effectiveness of cotton's marketing loan, which in turn, will reduce cotton program costs. We appreciate the leadership you have given to this legislative initiative, and we would encourage you to renew your efforts as we undertake passage of legislation again this year.

DIFFICULT BUDGETING CLIMATE

In summary, we recognize that program changes will have to be considered in a very difficult budgeting climate, and almost any adjustment that would improve price competitiveness would add to short-term program costs. However, the most expensive program we can have is one that makes us *almost* competitive, but still falls short. By the same token, the most cost-efficient program we can have for the long term is one the ensures consistent price competitiveness for U.S. cotton.

Thank you very much.

The CHAIRMAN. Thank you very much, Ms. Arnold.

Senator PRYOR. Did you notice, right on time?

The CHAIRMAN. Thank you, ma'am. I'm liking Arkansas more all the time.

Senator PRYOR. Mr. Chairman, and colleagues, our next witness on this panel is Joe Rennicke. Joe has been chosen by the rice farmers to testify about our current rice program and what we ought to consider for the 1990 farm bill.

You will please note that Mr. John Tull of Lonoke, Arkansas, who has been president of the Rice Council of the United States, is also in the audience, and we are very proud that he is here. Joe, we are proud that you are going to give the testimony for the rice farmers.

Joe Rennicke.

STATEMENT OF JOE RENNICKE, RICE PRODUCER, WEINER, AR

BACKGROUND AND THANKS

Mr. RENNICKE. I am Joe Rennicke, a rice producer from Weiner, Arkansas. I am presently a member and chairman of the Arkansas Rice Research and Promotion Board, and a member of the board of directors of Riceland Foods, Inc., and the Rice Council for Market Development.

I appear before the committee today, however, not as an official representative of any organization, but as a Poinsett County rice farmer. Thank you, Mr. Chairman, and members of the committee, for providing farmers the opportunity to express our views regarding the 1990 farm bill to the committee.

STRONGLY ENDORSE RICE PROVISIONS OF THE 1985 ACT AND MARKETING LOAN PROVISIONS

I strongly endorse the rice provisions of the Food Security Act of 1985, including the marketing loan provision. The marketing loan program has worked well in the case of rice, and I urge that it be continued.

The 1985 act has been instrumental in making U.S. rice competitive in world export markets because of the marketing loan provision. It appears that the USDA has done a good job of administering the marketing loan program.

LOAN REPAYMENT RATE FOR RICE

The USDA was given broad discretionary authority in setting the loan repayment rate for rice. This provision has worked to the advantage of rice compared with the less flexible authority provided in the case of cotton.

Not only has the 1985 act made U.S. rice competitive once again in the world market, but it has done this while providing farmers an income safety net. This safety net guards against unfair trade competition and unexpected government interventions.

In my judgment, continuing a safety net such as the target price system is absolutely essential for the future growth and development of American agriculture.

ECONOMIC RISK ASSOCIATED WITH FARMING

The economic risk associated with farming is greater than any other major business enterprise. There are, of course, the unknown factors related to weather and other natural calamities. But agriculture also is prone to unexpected governmental interventions such as trade barriers, foreign export subsidies, foreign policy and broad economic policies.

TARGET PRICE SYSTEM SOUND APPROACH

The target price system provided by the 1985 act is a sound approach to the requirement of an income safety net. I urge that it too be included in the future farm legislation.

RULES AND REGULATIONS MAKE MORE WORK FOR FARMERS

I do believe, however, that farmers have been unduly harassed by the constantly changing rules and regulations related to eligibility for government price support.

Recent rule changes relating to defining "actively engaged" in agriculture has created excessive hours of work and reams of paper for farmers and county ASCS offices. These rules need to be streamlined with more authority returned to county ASCS committees.

FLEXIBILITY

More flexibility also needs to be provided in the establishment of acreage bases and program yields. The 1985 act, for example, reversed an earlier trend in East Arkansas toward more crop diversification, including the planting of more feed grain crops such as corn and milo.

The concept of limited cross compliance, coupled with methods provided for computing base acres and program yields, has forced East Arkansas farmers out of feed grain crops. This has happened at a time when these crops could have been beneficial to the long-term productivity of agriculture in the region.

Milo, for example, can be effective in controlling cyst nematode in soybeans when used in crop rotations on different soil types in East Arkansas. The 1985 act and its implementing provisions effectively prohibit the addition of milo to crop rotations. In the longer term, this will affect soybean yields in Arkansas and reduce Arkansas' competitive position for soybeans in the world market.

UNFAIR TRADE PRACTICES

In discussing the future of the U.S. rice industry, of primary importance is the virtual ban of rice imports by Japan. While we open our ports to Japanese products, their ports are closed to our rice. This is an example of the unfair trade practices that U.S. farmers face. I urge you to continue to press for the opening of the Japanese rice market to U.S. rice.

GATT AND PULLING DOWN TRADE BARRIERS

I also believe the U.S. should continue to work toward pulling down trade barriers through the General Agreement on Tariffs and Trade. However, I believe we should be very alert in the GATT negotiations that U.S. agriculture does not find itself with a poor deal when the final vote is taken.

CONTINUE EXPORT PROGRAMS—PUBLIC LAW 480, EEP, EXPORT CREDITS GUARANTEE PROGRAM

In addition, I believe that continuing those export programs that have proven effective in expanding markets is essential to any sound U.S. agricultural policy. The export credits guarantee program is particularly important to the U.S. rice industry, as are the Public Law 480 export programs.

The Export Enhancement Program (EEP) provided by the 1985 act has been used to make U.S. medium grain rice competitive in Turkey. This permits the USDA to provide payments to U.S. exporters to offset subsidized exports by other countries, such as the European Common Market in the case of rice exports to Turkey.

The EEP also has been especially helpful in marketing Soft Red Winter wheat grown in the Midsouth. Wheat has emerged as an important crop in the Midsouth. I urge continuance of the EEP program for rice and wheat, particularly for Soft Red Winter wheat.

Senator PRYOR. Joe, you're right on time. Can you finish in just a moment?

Mr. RENNICKE. Yes.

Senator PRYOR. Go ahead.

TEA AND TOP PROGRAMS

Mr. RENNICKE. The Targeted Export Assistance (TEA) Program has been effective in promoting U.S. rice in important export markets such as Saudi Arabia.

The Targeted Overseas Promotion (TOP) Program has benefited rice farmers by helping to promote branded, value-added food products produced in the United States which are sold overseas.

I believe these programs that promote U.S. rice exports are important to the future of the entire U.S. rice industry.

Thank you, Mr. Chairman, for allowing me to present these comments today. I will be glad to respond to any questions you may have.

Senator **Pryor**. Thank you very much. Just for my colleagues' benefit, Arkansas does lead the country in rice production, and we are very proud of that fact.

Thank you, Joe.

The **Chairman**. David mentions that for our benefit here. I have been on this committee now with him for a dozen years or so. This is the 4,329th time he has reminded me of this fact. [Laughter.]

Senator **Pryor**. Mr. Chairman, I want to remind you of another fact, now that you are bringing up facts. An interesting Arkansas fact is that not only has Mr. John Tull been the chairman of all of the rice producer groups in the whole country, and he is from Lonoke, Arkansas, a very small town in Lonoke County, but also his neighbor down the street is, at this moment, the past president and current chairman of the board of the American Soybean Association, and that is Mr. Wayne Bennett. Mr. Bennett is sitting right here by his neighbor, Mr. Tull.

So, soybeans and rice, as well as cotton, are very well represented on the national level, and we are very proud that these gentlemen are here.

The **Chairman**. Vermont leads the country in the production of maple syrup. Just thought I would throw that in for whatever it is worth. [Laughter.]

Senator **Pryor**. And Senator Leahy has promised if he——

Senator **Heflin**. Alabama leads the production of chittlins. [Laughter.] I am waiting for football scores to come in here next.

Senator **Pryor**. Now, if you all would sign your name out on the tablet when you leave, Senator Leahy will send you all a bottle of maple syrup for Christmas.

Our soybean farmers have chosen today Mr. Bryan Moery, who is from Wynne, Arkansas in Cross County, and Bryan we are appreciative of you being here today to make the statement for the soybean farmer, and we look forward to your testimony.

STATEMENT OF BRYAN MOERY, PRESIDENT, ARKANSAS SOYBEAN ASSOCIATION, WYNNE, AR

BACKGROUND

Mr. **Moery**. I am Brian Moery, president of the Arkansas Soybean Association, and a farmer from Wynne, Arkansas. I raise soybeans, rice, and wheat. I am pleased to appear here today to discuss the 1990 farm bill and to welcome you to the Natural State.

ARKANSAS LEADING SOYBEAN PRODUCER

Arkansas is one of the leading soybean producing States in the Nation. About 80 million bushels of soybeans are produced here on 3.25 million acres with a cash value of $440 million. Soybeans account for 36 percent of Arkansas agriculture cash receipts. In 1987, the value of soybeans were greater than cotton, corn, and wheat crops combined.

SOYBEAN FARMERS CONGRATULATE COMMITTEE FOR HEARING

Soybean farmers congratulate this committee for coming to the country to hear from farmers and others directly affected by the important decisions you make. The next farm bill you write will set the framework for U.S. agriculture into the next century. The stakes are high and the challenges significant.

LISTENING SESSIONS AND FOUR TOP CONCERNS

The American Soybean Association has a 1990's task force of farmers who have been working for the past 15 months listening to and surveying soybean farmers. They have held many "listening sessions" of farmers around the country and found four top concerns looking toward the next farm bill. They are:

First, environment; second, greater farmer freedom to make planting decisions; third, market-driven demand growth; and fourth, soybean quality.

Environment policy clearly overlaps with farm policy. I would like to focus on both today.

ENVIRONMENTAL POLICIES

We need balanced environmental policies which allow farmers to produce soybeans competitively and profitably while protecting the environment. Positive incentives to encourage sound environmental practices accompanied with increased educational programs would go a long ways toward continuing good stewardship of our productive land. If farmers have more freedom to plant what is best for their farming operation, they can improve crop rotation. More balanced crop rotation means better pest and disease control, conservative use of fertilizer and chemicals and lower farm production cost.

PRODUCE FOR THE MARKET, NOT THE MAILBOX

When I travel around the State, farmers tell me they want to produce "for the market, not the mailbox." They want greater freedom to make planting decisions and simpler farm programs. Now we spend literally days in the local ASCS office waiting in line to be told what to plant, where to plant, and how much of one crop or another. Why can't we report to ASCS the acres we grow instead of asking permission?

I know farm programs are voluntary. However, farmers cannot afford *not* to participate because they will suffer the long-term potential consequences of losing base—their bankers will not let them. Moreover, we remember that farm programs provided important support during the low prices of the mid-1980's and that having base acreage is a key to benefits.

OPTION TO IMPROVE CROP ROTATION FOR AGRONOMIC AND PRICE REASONS

Soybean farmers would like the option to improve crop rotation for agronomic and price reasons. Continuous production of program crops is skewing crop rotation with adverse impacts on yields. Moreover, the market today offers some attractive profit opportunities for nonprogram crops, such as soybeans. Why not give farmers greater freedom to grow soybeans for the market by allowing substitution without base loss?

We suggest you explore options which meet the various soybean regional interests to achieve this goal. For example, in the South, there may be ways to increase soybean profits through modifications in farm program treatment of double-cropped soybeans. Specifically, why should farmers have to set aside their wheat ARP for their double-cropped soybeans? This is really a backdoor set-aside for soybeans. Under the farm bill, acreage reductions in soybeans or other program crops may not be required as a condition of eligibility for price support loans.

CURRENT PROGRAMS DISCOURAGE PRODUCTION

The current U.S. farm programs are discouraging production of soybeans in the United States and encouraging production overseas. Farm program economics tell me to maximize production of programs crops, namely rice, which has a target price yielding greater returns than the market price for soybeans. Yet foreign competitors like Brazil and Argentina don't receive a target price. They keep expanding their soybean production because they see that soybean cash prices are more profitable than cash prices of other commodities.

U.S. farmers get the signal to maximize production of program crops while our competitors see the opposite signal from the marketplace. As a result, U.S. production of soybeans and other oilseeds is down 20 percent since 1979. Arkansas lost over 2 million acres from its peak year. Foreign production is up 52 percent, and acreage is up 22 percent. World demand for protein and vegetable oil is growing at 4 to 5 percent per year. U.S. farmers are reducing soybean acreage in a growing market while foreign competitors expand and seize profit opportunities from U.S. farmers.

CONSIDER ONE CROP POLICY

As you write the next farm bill, we recommend you carefully consider the impact of one crop policy upon another. The same farmer often grows several crops, and must weigh the economic benefits of growing one crop over another.

PURSUE CREATIVE SOLUTIONS TO RESOLVE CHALLENGES FACING SOYBEANS

Soybean farmers would welcome the opportunity to work with this committee and the administration to pursue creative solutions to resolve these challenges facing soybeans. Our problems are not low prices and high Federal costs. Our challenge is to achieve a policy which lets us produce a quality crop for the market, generate a profit and benefit from a growing world market.

Senator PRYOR. Bryan, if I could interrupt—are you just about finished?

WORK TO REDUCE UNFAIR TRADE BARRIERS

Mr. MOERY. To benefit from a growing world market, we must also work to reduce unfair trade barriers. The Targeted Export Assistance (TEA) Program is an important tool to combat unfair trade practices. Soybeans face numerous unfair trade barriers, many of them are in the European Economic Community. The ECC is our largest market and our largest competitors.

CONTINUE TEA PROGRAM

This committee included the TEA Program in the 1985 farm bill. We strongly urge that it be continued and strengthened in the next farm bill.

As you write soybean policy, please remember that soybeans have made a profit for the Federal Government 3 out of the past 4 years. In 1988 alone, soybeans generated $1.6 *billion* in revenue for the U.S. Treasury. This occurs because under the current soybean loan program, CCC acquires forfeited soybeans when prices are low, stores them and then sells them at a profit as the market prices rise. Soybeans should not be forced to take additional budget cuts, especially since the program is projected to cost only $116 million in fiscal year 1990.

Mr. Chairman, that concludes my remarks. Thank you for the opportunity to be here.

Senator PRYOR. Thank you very much, Mr. Moery.

The CHAIRMAN. One of the joys of becoming a chairman, you get to make major pronouncements, and my first major pronouncement is that there is a gray Oldsmobile with license NNFA 23 which needs to be moved because it is blocking something.

That is what 15 years of seniority in the U.S. Senate gives you. [Laughter.]

Listening to all the testimony, I am thinking of something Mr. Rennicke said about opening the Japanese rice market to the United States, and you said—I paraphrase—that you want us to be alert at GATT, and not let the United States come to a disadvantage in these international negotiations.

I absolutely agree. There had been some discussion that we may want to wait for the GATT or even anticipate the results of the GATT negotiations before we wrote the farm bill, or to write a farm bill assuming that we have had a successful negotiation.

As a Vermonter, I am a little bit too cautious for that, and I am not about to do it. I get a little bit pessimistic when I think about some of our international negotiations, and I am not about to write a farm bill that has the United States go into a unilateral disarmament on farm negotiations worldwide. I am not about to see a farm bill which states that we will remove all our export abilities on the assumption that maybe if we do that the Europeans a few years later will do the same.

I'm not able to take that leap of faith. We will write a farm bill, and I hope it is one that will be export oriented and allows us to get a decent return for our food and fiber in this country, but that also allows us to export. One of the great advantages in this Nation is our export of agricultural products. We have a huge trade deficit in most areas, but we tend to have a trade surplus in agriculture.

We are going to keep trying to do that, and I think if we eventually get successful GATT negotiations we can readjust for it. But I'm not about to have the United States give up first, and hope that the Europeans will follow.

David, I will now turn this over to you and then to Senator Bond, Senator Heflin, and Senator Fowler for questions.

Senator PRYOR. Mr. Chairman, thank you. I may have some questions, but let me, if I might, at this time yield to my colleagues and let them ask questions of the panel, and then maybe I will follow up a little later.

The CHAIRMAN. Senator Bond.

Senator BOND. Let me ask a question to all three of you on the panel. I heard all of you talk about flexibility. You gave several good examples why you need to plant for the marketplace rather than the mailbox. This is something I have heard a good deal from your neighbor to the north.

One of the things that some of the farmers have suggested very strongly to me is we go back to normal crop acreage (NCA). It is the approach we took in 1977 and 1978 where you have a set-aside that applies to the farm, and once you meet the set-aside requirement, you can plant any of the program crops. You can rotate the crops. You can plant new crops, such as industrial use crops as you wanted to.

What, may I ask each of you, would be your comments on that kind of flexibility? How do you think it would affect your farming activity, and that of your neighbor?

Ms. Arnold.

Ms. ARNOLD. Well, I think it is good to have the flexibility of planting the crops to fit the marketplace. I know in this area they are beginning to look at some vegetable crops, and of course we all realize how important rotation is to the land. We cannot always take from it. We have to give back.

So, I think the flexibility would be good.

Senator BOND. Conservation compliance requirements are one of the things driving the push for flexibility, particularly people who double-crop soybeans.

Mr. Rennicke.

Mr. RENNICKE. Certainly, I think producers would welcome some flexibility to use to plant other crops. Acreage bases, right now, are very important because of the program crops with the income flow—as you want to put it—or the cushioning effect from target priced systems, so——

Senator PRYOR. Would you be a little closer to the microphone, if that is possible? Maybe someone could assist?

Mr. RENNICKE. All right.

The target price system on the program crops is allowed the income cushion to producers, but I feel like they would welcome some flexibility to use to plant other crops for the market situation.

Senator BOND. What would you think about using the farm base as a whole without having the Government say that you can have a specific crop base of so much for corn, so much for milo, so much for wheat—let you choose from among the mix of crops you want to plant?

Mr. RENNICKE. I feel like it is a good concept if there were some type of protection to protect your original crop license, and maybe not at the levels that they are but—so, if you wanted to—if it was a constant situation where you could have the flexibility to do it back and forth.

Senator BOND. That is the idea.

Mr. Moery, we are particularly concerned in Missouri as you stated about the soybean production going overseas. I believe you indicated you felt that the corn, wheat, and feed grain programs generally are attributed to that. What would you say to the normal crop acreage?

Mr. MOERY. I think we need, to a certain extent, a safety net built under it, and I think it is a great program to allow this flexibility, but we cannot afford at this point to take anymore what I would call "economics" away from it, but if the market, like in wheat today, and even in soybeans—when the market is out there, you can grab that part of the market and grow the crop that is needed at this time. But we still need the safety net because without it we could not continue.

Senator BOND. Yes, we are not talking about getting rid of the safety net.

The other thing is what do you think about the permitted planting provision that was mandatory for this year which allowed producers to plant soybeans or sunflowers—should we make it mandatory or leave it discretionary with the Secretary of Agriculture for next year?

Mr. MOERY. I think what you've got to do—you have the 10/25 program you are referring to?

Senator BOND. Yes.

Mr. MOERY. OK. I think in that situation, there really is no economic benefit or shift in the soybeans that the people in my area are growing milo. They don't particularly like to grow milo, but it has a base which they do not want to give up, so they continue to grow it.

But if you could look at the rice, the cotton, it would work to have an economic choice. The shift in the soybeans—I think it would work real well. But there is no economic choice until soybeans reach their $9 or $10 limit.

Senator BOND. You are not getting any people shifting into soybeans?

Mr. MOERY. Only those that have a milo base that do not like to grow milo.

Senator BOND. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Heflin.

Senator HEFLIN. What is your State average of yields of soybeans per acre?

Mr. MOERY. Twenty bushels, and we have had that——

The CHAIRMAN. What was that?

Mr. MOERY. About 20 bushels.

Senator HEFLIN. Do you have some areas that grow 40?

Mr. MOERY. Yes, sir, under irrigating conditions we might have 40 bushels, but that is only one-third of the State.

Senator HEFLIN. What do you figure is the price that you have to receive for a bushel of soybean in order for you to cope with production?

Mr. MOERY. The figure I hear most around is about $7 a bushel.

Senator HEFLIN. It depends on what you calculate with the cost of land and so on, but anyway this flexibility that you are talking about is largely a soybean movement that is coming from the Midwest where they average 40 bushels an acre, and if you have the flexibility in corn, which is primarily the issue, and they produce substantial more soybeans, and the price goes down, and you are living in the days of inflation, and you are living in the days in which Argentina had a drought also, the price of soybeans is up now to make a profit.

But by allowing soybeans to be planted on permitted acres with no safety net, would you anticipate that you would go back to the $5 a bushel soybeans?

Mr. MOERY. Yes, sir, I think that would be a very likely situation we could get into, but soybeans—there's no alternative to soybeans in Arkansas. It's growing on about two-thirds of all of our farms.

Senator HEFLIN. Well, you mentioned the safety net and the program that is in effect this year allows the 10 to 25 percent bidding, but also what we put in there was a safety net that the Secretary had to take into account in planning—Argentina, Brazil, the European Community, the prices, low prices—how to anticipate production with the plan being that it would not lower the price of soybeans below 115 percent of the loan rate.

The loan rate today is about $4.60, somewhere in that range, and I think that means—I do not know exactly, a ballpark figure—that means $5.40 as a protection. If your cost of production here, at 20 bushels per acre is such, then you would need a higher safety net than 115 percent of the loan rate, would you not?

Mr. MOERY. Yes, sir, we would need—if we could stabilize in the area we are right now, and we have the program crops we have, soybeans as a crop—it just fits in well with everything else we have. And the way we have been arriving and staying in the soybean business, we cannot afford to send all of our ground out.

So, we're minimizing loss for growing soybeans and hoping for a year like this, if we can come through and do something, we can get our cost of production down—which we were working on quite a bit. In rice farming, you have to have a rotation. There's no way to continue with one year after year in rice.

So, we have no choice other than to grow soybeans almost at any price.

Senator HEFLIN. Mr. Rennicke, do you feel that the marketing rule on rice has worked well? Your testimony was that it had worked well. It had more flexibility than in regards to the cotton program pertaining to this. Is that your feeling in regards to rice programs?

Mr. RENNICKE. Yes. The USDA was able to monitor the world price for rice and try to set their posted price very competitive to what was happening in the world, and that allowed the rice flexibility to move ahead and eliminate a lot of the surpluses we had when the marketing loan took effect.

Senator HEFLIN. Ms. Arnold, what's your feeling on the marketing loan in relation to cotton? Do you think some adjustments giving greater flexibility to the calculation of the adjusted price for cotton would be desirable and would you want to continue with the marketing loan, or what?

Ms. ARNOLD. Yes, I think it has been a real good policy for us, and the first couple of years it worked out exceedingly well. Lately we have had a little trouble with being competitive in the foreign market.

I think overall the producers are pleased with it.

We need to keep the existing marketing loan formula and to help camouflage the U.S. cotton price—allow the U.S. Department of Agriculture the flexibility to make U.S. cotton truly competitive with an addendum to the formula.

Senator HEFLIN. What is your feeling relative to the period of time of the loan that the producer, in effect, has control over it. Do you feel we ought to continue as at the present, to shorten it, or what? What are your feelings relative to that here in Arkansas?

Ms. ARNOLD. Well, I think, as I said, the policy that we've had in the immediate past has worked real well, and I think we just ought to continue with it.

Senator HEFLIN. What is your feeling relative to—under the cotton program today there is—a floor of it cannot go below 50 cents per pound on the loan rate? Do you think that should be maintained or that flexibility ought to be provided in that as in some of the other commodities?

Ms. ARNOLD. Well, I think it is good to have the floor there. It does give us that support in that net.

I am sure that this would have to be evaluated on the past history, and see where we can go from there.

Senator HEFLIN. Thank you.

The CHAIRMAN. Senator Fowler.

Senator FOWLER. Let me just ask Mr. Moery.

Can you explain to me why the soybean oil stocks remain high despite the drought?

Mr. MOERY. Why the soybean oil stocks remain high? No, sir, I cannot.

Senator FOWLER. Thank you. I cannot, either.

Mr. Chairman, in the interest of time, I think with another panel, I will cut short my questions.

The CHAIRMAN. Do you have something, Mr. Pryor?

Senator PRYOR. Mr. Chairman, one or two comments I would like to make, and maybe a question or two. Those of you who are in the soybean farming business—several of us at this table—I hope we can enlist the support from our chairman, Senator Leahy, because I notice that Senators Bond, Heflin, and Fowler, myself, we will be introducing next week the Soybean Promotion, Research, and Consumer Information Act [S. 919], and we think that this is going to be a step forward. We also feel this is becoming a consensus among the soybean farmers across the country throughout the entirety of the soybean production areas.

So, that checkoff will be introduced. It is going to be a little bit different this time where Arkansas, I think—or where we now have—what is it?—$.02 a bushel checkoff? Is this right, Bryan? We're going now to go through a percentage rate of, I believe, is .5 percent per bushel net value—you're going to be paying a pretty good checkoff there. But if they do, you are going to be advertising a lot of soybeans and promoting a lot of soybeans.

So, we just wanted you to know of that. We think it is a good step forward.

Second is that I would like to mention to all of our panelists or maybe to ask them—especially from our cotton and rice—if we have to reopen the marketing loan area of the cotton and rice program, and I must say that in 1985 this was an experiment. Senator Cochran and I wanted to have a marketing loan applied to all crops. We wanted it for soybeans. We wanted it for wheat. We wanted it for corn. We wanted it across the board.

But finally the cotton and rice folks came and said, "We'll be willing to be the guinea pig. Give us a try. If no one else wants it, we'll try it." So, we have it for cotton and rice.

What, as we open the marketing loan concept, do you feel—and Bryan, I could go ahead and also ask all of you this question—do you feel we ought to expand the marketing loan to any other crops because you all are covering a lot of crops and not just the crops that you are testifying for?

Ms. ARNOLD. I think they would all appreciate that because I know the soybean farmers have been talking about it, and so far as I know the cotton producers had been pleased with the way the marketing loan has worked out for them.

Senator PRYOR. Right now, as I understand it, the marketing loan probably would not trigger to the soybean crop because of the support level versus the world price, but somehow or another I feel—I'm very frustrated. I feel that we must send a message to Brazil and Argentina. They are taking the world soybean market. They are subsidizing to the extent that it is incredible, and also we see in our 301 petition of American Soybean Association filed in GATT—they are subsidizing soybeans there about $14 a bushel versus our $4.77 of the loan rate.

Somehow we need to send a message, and I do not know how to send that message. I wonder if any of you have any comments on this? Is the marketing loan the way to do it?

Mr. RENNICKE. I feel like if we want to remain competitive in agriculture in the United States and keep producing at the levels that we are producing now—all of the crops—that if we do not—if we are not competitive in the world, we are going to have trouble down the road.

So, I feel like the marketing loan is a sound approach to the process for all commodities.

Senator PRYOR. We built into the trade bill of last year a section on a triggered marketing loan for all crops if there has not been significant progress in trade imbalance decisions and implementation.

Now, the President is going to have that authority, and it is going to be resting on his desk someday probably about, I guess, the latter part of 1990 and probably 1991—the early part—and he is going to have the decision to make to go ahead and retaliate against these folks by triggering the marketing loan across the board or not. This, in fact, could affect dramatically the—let us say—the environment of the writing of the farm bill of 1990.

So, these are things we are trying to take into consideration.

Mr. Chairman, last year I held a hearing right here in this—or a meeting, I should say—sort of a town meeting in this Gin on the drought, and I believe it was in June of 1988.

Now, I would just like to ask for a little picture here of where we're situated—let's say compared with April of 1989 with April of 1988 with moisture in this part of the State?

Ms. ARNOLD. Well, in our area we are ahead, although it is beginning to dry out, and I think everybody is looking for a shower. But we are close to 10 inches above what we were last year.

The CHAIRMAN. And your area is what again, Ms. Arnold?

Ms. ARNOLD. We are north of here about 20 miles.

Mr. RENNICKE. Of course, I am just located fairly close to Mary Ann. While we are in the plus column for rain for the year, I believe that we are fast approaching the same position we were last year. If we do not have rain in the next couple of weeks the rice crop will be almost in the same position as it was at the first of May of last year.

Senator PRYOR. Bryan.

Mr. MOERY. We are going to have to have a rain to finish flatten most of the crops now. The land preparation has been real well ahead of schedule, but to plant we need a rain.

Senator PRYOR. Bryan, I am shifting gears just a minute. I watched a man plant some soybeans not far from here. Last June his second planting of soybeans was in the dust. It looked like talcum powder, and I said, "Why in the world are you planting those soybeans in the dust when you know that they're not going to grow?" and he said, "In order to collect my Federal crop insurance."

Now, somehow or other that is stupid to me, and that does not make sense, and I want people to start giving us some thoughts on this Federal Crop Insurance Program, because I am not satisfied with it, and I do not think that very many people at this table are totally satisfied with the Federal Crop Insurance Program. That is something we have to look at, and we hope to have additional suggestions later on down the line from any of you on this particular program.

Mr. Chairman, at this time, I do not think I have anything more. I think Senator Bond and yourself would like to ask some questions.

Senator BOND. I think we have lots of questions, but maybe we ought to stay with the answers. They are probably more instructive.

The CHAIRMAN. I agree, and, incidentally, David, you mentioned having the drought hearings out here—and I emphasize again—I think that is one of the reasons why that drought bill went through in 6 weeks instead of the 6 or 9 months that everybody had predicted it would.

We brought the committee out, went out to the drought areas, and that is what we are trying to do here. You have raised some very good points. I hope you are aware of the concerns that I have, and also recognize the fact that while I will be in Vermont at the end of this week, I wanted to come here, to see what you have firsthand.

Thank you very much for the time you have spent.

Senator PRYOR. We thank this panel very much, all of you. Thank you.

The CHAIRMAN. And I believe you have another panel here for us?

Senator PRYOR. We do have another panel, Mr. Chairman. We will call that panel at this time, if I might. Mr. Milt Thomas of the Arkansas Farmers Union; Mr. David Hillman of the Arkansas Farm Bureau Federation; Mr. Butch Calhoun of the American Agriculture Movement; and Mr. Ted McNulty who is representing the Catfish Farmers of Arkansas. So we are covering a good bit of the waterfront today.

The CHAIRMAN. While they are coming up, David, I might mention—as I have at so many other hearings—how hard the staffs on both the Republican and Democratic sides of the committee have worked to pull these hearings together, as have staffs of the individual Senators—yours, Kits, and everybody else's. They have been very helpful. But I also want to make sure it is very clear on the record that I thank our hosts for making this site available.

You know, for me, getting out and actually coming to a place involved in agriculture makes it far more real. Some of you have been to Washington. You have seen the Senate Agriculture Committee room, which is a very lovely room. It was built around the turn of the century, and has Victorian furnishings and big crystal chandeliers, marbled walls, and a wonderful sense of history. But it can also be somewhat unreal. Back here is where the real things are. So, David, if you would go ahead.

Senator PRYOR. Yes, sir. Mr. Chairman, once again, we are going to have the red light show, and we would very much like for you to go within your 5-minute period, and then we are going to have a few brief questions, and then we are going to open up for questions or comments from the floor, as I understand, Mr. Chairman. Is this correct?

The CHAIRMAN. Sure.

Senator PRYOR. Mr. Milt Thomas of the Arkansas Farmers Union.

STATEMENT OF MILTON THOMAS, PRESIDENT, ARKANSAS FARMERS UNION, BEEDEVILLE, AR

Mr. THOMAS. Thank you, and good morning. I am Milton Thomas, president of Arkansas Farmers Union. I appreciate very much the chance to be here this morning and to present remarks for the Arkansas Farmers Union.

My remarks today will be limited to the area of protecting our natural resources. My prepared statement covers a broader range of issues, and I would like to submit it for the hearing record, if I may.

NATIONAL FARMERS UNION STAND FOR THE SUSTAINABILITY OF FAMILY FARMS

My prepared statement offers Farmers Union farm bill suggestions, and their response to the testimony given to this committee last Wednesday by Agriculture Secretary Clayton Yeutter. We stand for the sustainability of family farms, whether we are discussing commodity programs, or the best stewardship of our soil and water resources.

CRP SUCCESSFUL

The single-best thing we can do to encourage conservation practices is to give farmers the realistic hope of passing a profitable farm operation down to the next generation. The Conservation Reserve Program, or CRP, has been very successful in removing millions of acres of highly erodible land from production.

We believe that CRP eligibility should be expanded to accommodate other types of environmentally fragile land. For example, CRP should be used as a last resort for land on which the soil type is too porous or sandy to allow any type of chemical use without leaching into ground water, and for which nonchemical alternatives are not practical.

Since there is plenty of room left within the original 45 million acres, we do not believe that it is necessary to increase the overall, or per county acreage caps at this time.

CONCERN OVER STATEMENT BY SECRETARY YEUTTER—ALTERNATIVES TO THE CRP AND COST

We are deeply concerned about Secretary Yeutter's statement to the effect that we should look for alternatives to the CRP because of its cost and our current tight supplies. Farmers Union believes that land currently enrolled in the CRP probably should not have been farmed in the first place, and, like many others, we would be slow to endorse a plan to bring that land back into production. Tight supplies this year are a result mainly of a drought last year, not some long-term change in the agriculture's ability to overproduce.

On the question of cost, there is really no basis for comparison unless one can estimate the value of our soil resources. Farmers Union believes that payments made under CRP contracts have been good investments, provided that the land stays in some soil conservation use when the contracts expire.

MOVE BEYOND A SEPARATE TITLE

The 1985 conservation provisions were a good first step, but the time has come to move beyond a separate title tucked in the back of the bill toward making commodity programs more compatible with our environmental goals. We believe that Secretary Yeutter correctly described the problems to you, but we absolutely disagree with his proposed solution. It does not make sense for commodity programs to require farmers to set aside some of their acreage, and then pay them according to how much they can possibly produce off of the remainder. We should not set up programs that discourage crop rotations. But decoupling is not the answer. Decoupling farm program payments from commodity production will take billions out of the farm economy by forcing prices lower, and will require farmers to produce more in order to meet fixed costs. Farmers will overproduce on all of their land instead of some of it, collectively driving prices still lower. When an individual farmer cannot expand any more, and dropped out, his land would be purchased by another still-expanding farmer and kept in production.

What makes the cross-compliance, sodbuster, and swampbuster provisions effective—and even Secretary Yeutter hails them as a major advancement—is the fear of losing program benefits. If program benefits are removed anyway, we are virtually guaranteed that marginal lands will be kept in production. In addition, the options of new stewardship incentives are greatly reduced.

ALTERNATIVE TO DECOUPLING IS TO WORK WITHIN EXISTING PROGRAMS

The Farmers Union believes that a far better alternative to decoupling is to work within existing programs, and we would recommend three basic areas of change. First, simply making payments based on units of production instead of acreage would not only allow USDA to predict programs costs with a greater degree of certainty, it would also allow farmers to farm using crop and field rotations that make sense for their operation. Being paid a fair price on a specified amount of production would allow farmers to lower their variable costs by using more of their fixed land assets.

A second change would be to allow producers a one-time opportunity to prove actual yields. This would attract higher producers into the program and therefore into crop compliance.

Third, farmers should be able to enter into long-term rotations with such crops as alfalfa or legumes without violating sodbuster requirements and without losing base in their primary commodity. Along this line, we would support multiyear set-asides to allow time to establish vegetative cover crops.

[The prepared statement of Mr. Thomas and the excerpt from National Farmers Union 1989 Policy Statement, Article I, Agricultural Programs for the Family Farm appear at the conclusion of the hearing.]

Senator PRYOR. Thank you very much, Mr. Thomas. We appreciate your statement. We may have some questions in a moment. Mr. David Hillman of the Arkansas Farm Bureau.

STATEMENT OF DAVID HILLMAN, ARKANSAS FARM BUREAU FEDERATION, ALMYRA, AR

BACKGROUND

Mr. HILLMAN. Mr. Chairman, Senator Pryor and members of the committee, we are glad that you took this opportunity to come to Arkansas. My name is David Hillman. I am a farmer from Arkansas County. My family raises rice, wheat, and soybeans.

I serve on the Arkansas Farmer Bureau board of directors. The Arkansas Farm Bureau is the largest farm organization in the State of Arkansas. We recognize the importance of the 1990 farm bill to Arkansas farmers, and we are glad that you are here so that we might have this opportunity to address the issues today.

MAIN OBJECTIVES OF THE FOOD SECURITY ACT OF 1985 AND SUPPORTED BY THE FARM BUREAU

The main objectives of the Food Security Act of 1985 were to provide support for farm income, to improve competitiveness of U.S.

farm products in the world markets, and voluntary reduction of carryover stocks. In general, the 1985 farm bill has been very effective in these areas.

CONCERN OVER IMPACT OF POSSIBLE BUDGET CUTS

The Farm Bureau is concerned about the impact of possible budget cuts in the farm program area. The agricultural programs were very costly in the first years of the 1985 farm bill, but I would like to point out to you that over the recent years, the ag spending has been the fastest declining budget function.

In the areas of specific commodities, the Farm Bureau supports the cotton and rice——

The CHAIRMAN. Of course during that same time, we also saw 400,000 people leaving the farms.

Mr. HILLMAN. Yes, sir.

The CHAIRMAN. So, I mean, there was not a savings without some very, very real difficult human costs.

Mr. HILLMAN. But the point that I was wanting to make was that, initially, the costs were high, and we recognized at the time that the people of the United States were not willing to support agriculture at those levels over a long period of time.

The CHAIRMAN. That is true.

FARM BUREAU SUPPORTS THE COTTON AND RICE PROGRAMS

Mr. HILLMAN. In the area of specific commodities, the Farm Bureau supports the cotton and rice programs under the 1985 farm bill. We believe that the key element of these programs, the marketing loan, has been very effective in restoring the U.S. share of world trade for these commodities.

ENVIRONMENT AND CONSERVATION PROVISION

With respect to the environment and conservation provisions included in the farm bill, it is important that we carefully consider the impact of our actions. We must preserve our natural resources for future generations, but we must also preserve the ability to use those resources in an effective manner, if we are to stay competitive in world markets. It is imperative that conservation provisions of the long-term farm bill be scientifically sound. We must guard against provisions that may require too much regulation of farm practices and impose unrealistic and inflexible standards of performance.

GOOD STEWARD OF THE SOIL

As a family farmer, it is my desire to be a good steward of the soil. I want my children to inherit a farm that is not only productive, but one that is better because of my efforts. It is also my desire that they be able to continue farming the land. To do so, our generation must avoid programs that adversely impact the ability to use sound and responsible agricultural practices.

CONTINUE CRP

The 1990 farm bill should continue the Conservation Reserve Program. The CRP has been effective in reducing erosion of highly erodible soils and should be continued. As an organization, the Farm Bureau supports efforts to encourage participation in the program, but does not believe it is wise to go beyond the original stated goal of 45 million acres.

ALTERATION OF "NUISANCE SPOTS" AND THE "DROP DEAD PROVISIONS"

Two items in the conservation title of the 1985 farm bill require alteration. One of these is the nuisance spot provision, and the other is the drop dead provision.

The Farm Bureau believes the USDA interpretation of swampbuster language goes beyond the original intent of Congress. Farmers are now prevented from cleaning up nuisance spots in their fields. These are small areas that are wet in the spring for a week or two longer than the rest of the field. Farmers normally plant around these areas, and then come back later to plant the nuisance spot. Because this land has the potential to support water-loving plants, it is being called a wetland, and farmers are not allowed to improve its drainage, despite the fact that they have farmed it for a long time. We support a change in law to provide that so-called nuisance spots not be subject to swampbuster.

CURRENT LAW DOES NOT DISTINGUISH BETWEEN A MAJOR AND MINOR VIOLATION OF THE LAW

The other major problem now faced by farmers with regard to sodbuster and swampbuster is that the current law does not distinguish between a major and minor violation of the law. Any infraction, even a minor accident of plowing up of one-half acre of highly erodible land, results in the loss of all Federal farm program benefits. We believe the penalty should be more commensurate with the infraction.

CONSERVATION OF GROUND WATER

I would also like to address an additional provision in the conservation title, conservation of ground water.

For the first time, our State legislature has approved a plan that would allow for interbasin transfer of surface water. This will cause many farmers to convert productive cropland to reservoirs. This will reduce the acreage available to farmers, thereby creating a hardship.

Congress can assist these producers with little or no cost to the Government by allowing productive land that is converted to reservoirs to qualify as set-aside acreage.

This would not change the base acreage of the farm, but it would simply allow the reservoir acreage to count whenever set-aside provisions are in force, and Senator Pryor, I believe you are aware of this, and you might want to have comments, and I thank you for your time.

[The prepared statement of Mr. Hillman appears at the conclusion of the hearing.]

Senator **Pryor**. I have just mentioned to Senator Leahy that this is a very, very good proposal that you have.

Mr. Butch Calhoun is going to represent the American Ag Movement. We have two 5-minute segments remaining, and let me also say as we have recognized our national leaders in cotton, rice, and soybeans today, we also are very proud to have the president of the American Farm Bureau who is from Des Arc, Arkansas. He is here in our audience. I have seen him. That is Harvey Joe Sanner. Harvey Joe is here. I do not know where he is. We are proud of Harvey Joe being our——

The CHAIRMAN. Wrong group.

Senator PRYOR. Didn't I say the AAM? Oh, I am sorry. I was reading the second line. The American Ag Movement. The AAM. Harvey, by the way, it would be a miracle if you did become president of the American Farm Bureau. I might say that.

The CHAIRMAN. I was going to say, Harvey, those of us who know you in Washington, we have never made the mistake. [Laughter.]

Senator PRYOR. I was reading the second line, Harvey Joe. I have to get some new glasses. The AAM. We are very proud of Harvey Joe's ascension to that position, and representing the AAM is Mr. Butch Calhoun. Butch.

The CHAIRMAN. In fact Harvey Joe came in to see us right after——

Senator PRYOR. Harvey Joe is always in to see us. We appreciate that.

The CHAIRMAN. In fact the receptionist in my office thought he was a Vermonter, seeing him around there grabbing me so often as I go up and down the hall.

Mr. CALHOUN. Me and Harvey Joe rode over here together this morning. I thought something happened he had not told me about. [Laughter.]

STATEMENT OF V.O. (BUTCH) CALHOUN, JR., RICE AND SOYBEAN FARMER, AMERICAN AGRICULTURE MOVEMENT, DES ARC, AR

Mr. CALHOUN. I want to thank Chairman Leahy and members of the Senate Agriculture Committee for the opportunity to appear here today to present some of my views concerning the 1990 farm bill. My name is Butch Calhoun and I am a rice and soybean farmer from Des Arc, Arkansas.

I want to reiterate what Senator Fowler said a while ago. We are very lucky here, in Arkansas, to have Senator David Pryor. He does a lot of hard work for all of us.

I believe very strongly in the importance of maintaining the family farm system in agriculture in this country. We need a program which will return profitability to the hundreds of thousands of hard-working family farmers that comprise the backbone of American agriculture.

Now this is not just for the farmers' sakes. This is for small towns, our schools, our churches, our whole system of rural Arkansas and rural America. In the simplest terms, farmers must receive a fair price from the marketplace for the commodities they produce. Commodities should be priced on the USDA parity index to assure that farmers receive a fair return on the labor and capital they invest in their farming operations. When farmers are paid a fair price, they can protect the land and natural resources by engaging in sound environmental farming practices, and still provide a decent standard of living for their families.

WHEAT, SOYBEANS, AND FEED GRAINS

The first ingredient of a successful farm program, and the keystone of the 1990 farm bill, needs to be higher prices for commodities. Congress has an excellent opportunity now, with post-drought prices remaining above CCC loan rates, to raise loan rates to assure that commodity prices do not once again fall below the cost of production.

The USDA parity index is the best reference for fair pricing levels. To reflect the improved efficiency of farming operations over the years. I would recommend that CCC loan rates be set at 70 percent of parity. This would assure that farmers are no longer left in the untenable position of having to sell crops for less than the cost of production.

RICE AND COTTON PROGRAMS

I would also support a continuation of the current rice and cotton marketing loan programs. They have worked well for producers.

LOAN RATES SHOULD BE RAISED TO THE TARGET PRICE

Congress should consider one change in these programs, which would be helpful to producers. The loan rates should be raised to the target price level. This would eliminate the payment limitation problem which many producers apparently face. This would get some of the lines down at the ASCS offices and help in some of those problems.

SOYBEANS

Soybeans should be helped. We have had some problem in soybeans, but it should not be helped to the—do away with the other marketing loans on the other crops. There needs to be a base under soybeans, of some sort, to keep the price up to the same ratio of corn, wheat, rice, and these other products.

ENVIRONMENTAL CONSIDERATIONS

The new farm bill should include provisions to protect the ground water from contamination from farm chemicals, to encourage crop rotation, and to encourage less intensive farming.

One idea that has special merit, and which has been proposed by the American Agriculture Movement, is the creation of a 3-year soil restoration program, SRP, under which a farmer could enroll up to 30 percent of his eligible acres in a 3-year program, temporarily taking those acres out of production without loss of base. The land would be seeded to a legume nitrogen-fixing cover crop, and the farmer would be paid an annual rental payment, similar to the CRP program. This would allow the land to rest and be restored to a healthy state naturally, would assist the farmer who might want to make the switch to less intensive farming methods, and would establish a forage reserve available in times of drought.

We also must do more to protect our ground water from farm chemical contamination. Those of us who live in rural America depend on ground water for our drinking water, and it is absolutely necessary that we protect this most important of natural resources.

The environmentally threatening practice of farming fence row to fence row is the natural result of the policy of cheap grain contained in earlier farm bills. Farmers were economically forced to plant every available acre, and to maximize fertilizer and pesticide use, to try and recoup in volume what they had lost from lower prices. The single most important step which this committee can take to encourage sound environmental practices is to establish a fair price for commodities, and to implement a system of supply management.

COUNTRY OF ORIGIN LABELING

I would also urge this committee to include in the next farm bill a requirement that all imported agricultural commodities be labeled as to country of origin.

Producers in most other countries simply do not operate with the same restrictions on pesticide use as do our producers in the United States. Because less than 1 percent of the shipments of agricultural produce entering this country are inspected, there is currently no protection against the use of dangerous pesticides on imported produce. Results of those limited inspections clearly indicate that a high percentage of imported produce—especially much of the Mexican produce—does contain residue from pesticides banned in this country. To continue allowing this produce to be sold is unfair to our producers, and, more importantly, unsafe for our consumers.

SIMPLIFY PROCEDURES

Congress should include provisions in the 1990 farm bill to simplify the procedures and paperwork required of farmers to participate in the farm programs. Producers should not have to hire a lawyer or an accountant to go to the ASCS office. Today, a producer is forced to spend an enormous amount of time, and too much money dealing with the regulations, recordkeeping, and procedures. Surely, there must be a way for Congress to simplify this paperwork so a farmer can spend his time farming instead of dealing with the Government.

In conclusion, I would like to say that I appreciate you gentlemen being here, and I want the Congress to write the farm bill—you all are representatives of the people—instead of the USDA. Thank you, kindly.

[The prepared statement of Mr. Calhoun appears at the conclusion of the hearing.]

Senator Pryor. Thank you very much, Butch. Our final witness this morning is Ted McNulty. Ted is from Jefferson County. He represents the Arkansas Catfish Farmers. We are number two, I think, in catfish farming, right behind the State of Mississippi. Ted, we appreciate your being here this morning.

STATEMENT OF TED McNULTY, ARKANSAS CATFISH FARMERS, SHERRILL, ARKANSAS

Mr. McNULTY. Mr. Chairman, I appreciate the opportunity to testify at this hearing before the Senate Committee on Agriculture, Nutrition, and Forestry.

AQUACULTURE

Aquaculture is the fastest-growing agricultural industry in the United States, increasing over 20 percent annually in this decade. The growth of the aquaculture industry provides new markets for domestic grain products and helps reduce the United States' trade deficit.

PROVIDING A MARKET FOR AGRICULTURE BYPRODUCTS

For every pound of catfish produced through aquaculture we provide a market for nearly 2 pounds of agriculture byproducts, including soybean meal, wheat, cottonseed meal, rice bran, and corn. The catfish industry alone uses 300,000 tons of soybean meal, and aquaculture in the United States uses between 1.2 and 1.3 billion pounds of domestic grain. The catfish industry averages 3,500 pounds per acre per year. Since 80 percent of the feed is soybean meal and domestic grain, each acre of catfish increases the demand for these products by 5,600 pounds.

VALUE OF FISHERY PRODUCTS IMPORTED

The value of fishery products imported in the United States reached a record $8.8 billion in 1987. This represented an increase for the seventh straight year, and an increase of 16 percent over 1986. Fisheries exports for 1987 totaled $1.7 billion. This leaves us with $7.1 billion in balance-of-trade deficit in 1987. Fisheries products, Mr. Chairman, is No. 2 in the total U.S. balance of trade deficit, and is second only to oil and petroleum products. For every pound of fish produced in the United States through aquaculture, we reduce the deficit of payments on edible fish imports by $1.47. The catfish industry has reduced the imports of catfish in the past 10 years from 18.4 million pounds in 1978 to 7.1 million pounds in 1987.

PER CAPITA CONSUMPTION OF FISH INCREASING

The per capita consumption of fish increased from 14.7 pounds in 1987 to 15.4 pounds in 1988, and is expected to increase at around 8 percent per year. As the more health-conscious American consumer demands more fish in their diet, where will we get them? It is obvious that in the past we have imported them.

U.S. RESOURCES—LAND AND WATER—ARE AVAILABLE

The United States has the resources—land and water—to produce these fish domestically, if we will use these resources wisely. Some of the land that we are taking out of production under the CRP program could be used for fish production. Any CRP land that would be considered, should be approved by the local SCS office because much of this land would be unsuited for fish production. More productive land now being farmed could also be used for fish production. Farmers who build ponds and reuse the water for irrigation purposes should be able to use this land as set-aside.

GREATER INVESTMENT IN FISHERIES RESEARCH NEEDED

For the United States to decrease the balance-of-trade deficit in fish, we must make a greater investment in fisheries research. The United States has not made a firm commitment to fisheries, and we will continue the growing deficit until we do. The 1985 farm bill authorized four regional aquaculture centers, and $7.5 million in funding. However, since then, a fifth aquaculture center has been authorized, but in 1989 only $3.75 million was appropriated by Congress.

FUNDS CUT

Also, funds for the USDA foreign currency research program, which provides valuable research for all of agriculture, including aquaculture, has been cut from $7 million, 5 years ago, to $1 million in 1989.

If Congress continues to cut funds for aquaculture research, we can expect to pay higher prices for imported fishery products for many years to come.

CONCLUSION—A STRONGER COMMITMENT TO AQUACULTURE

In conclusion, the United States can reduce its balance-of-trade deficit and increase the demand for domestically produced agricultural products which are in surplus, through a stronger commitment to aquaculture in the 1990 farm bill. We must increase funding for aquaculture research and provide for a wiser use of land and water under the CRP and set-aside provisions of the 1990 farm bill.

This concludes my remarks, Mr. Chairman, and I will be glad to try to answer any questions you might have.

Senator PRYOR. Ted, thank you very much. Before we go into questions, I would like to take this opportunity to welcome the staff of the Senate Committee on Agriculture who have come to our State—I think there are six or seven, at least, who have come to the State of Arkansas, and we are very, very appreciative for the Senate staff being in our State with Senator Leahy and our colleagues.

Second, I would like to introduce two very distinguished ladies who have accompanied their husbands on this trip. One is Mrs. Patrick Leahy who is right here with this camera. She is an accomplished photographer in her own right. Marcelle, we appreciate you being here. And the other is Mrs. Howell Heflin. And here is Mike Heflin, right back here. Thank you very much for coming. [Applause.]

The CHAIRMAN. I might say that for Marcelle, this is her first opportunity to be in Arkansas, and the second one for me. David, again, this panel has been very, very helpful to us, and I was glad to hear you make reference to ground water. It is an issue that we are going to have to tackle. If you live in a rural area, as I do—I live on the end of a couple of miles of dirt road in a little town in Vermont where Marcelle and I have a tree farm—all of our water is spring water. About 90 percent of the water, certainly out in rural areas, comes from ground water. So all of us who live in rural America have a real concern about that. Ted, I want to ask one question which is not directly related—but when we talked about catfish, we talked about Mississippi and Alabama, and I agree with you, it is a major and a very important, growing industry.

What about water there? Are you running into any problems in providing adequate water for your catfish?

Mr. McNulty. Yes, sir, in parts of Mississippi and parts of Arkansas, we are having problems, and I think we need to look at reuse of water in many areas, as far as different species and for crop irrigation after it has been in the fish ponds.

The Chairman. Is that an area where it might be wise to spend some of our research money, or is it something the industry is probably going to do on its own?

Mr. McNulty. No, sir. I think we need some more research in that area.

The Chairman. Thank you.

David.

Senator Pryor. I think the research has gone down from about $7 million a year to now only about $1 million or less per year for research. Is this correct?

Mr. McNulty. That was for the USDA foreign currency research program. Public Law 480 funds.

Senator Pryor. I see.

Mr. McNulty. All those funds are generated from agricultural commodity sales; yet, the Department of Agriculture is down to $1 million a year that they are getting for their international research.

Senator Pryor. How much fish are we importing into this country today? I guess I would say catfish. How much?

Mr. McNulty. Let me look it up.

Senator Pryor. All right. Fine. If we can supply that for the record.

Mr. McNulty. The balance of trade deficit in fisheries was $7.1 billion, second only to oil in our balance of trade deficit.

Senator Pryor. Good point.

Senator Fowler. Mr. Chairman, let me comment that all the panelists here, without exception, who emphasized what we have been taught to call and we still do call the environmental issues—but you have reported to us—let me make this report to you from Georgia, which is the only place I guess I can speak with authority; but I think my colleagues would also back up what I'm about to say.

When we go around and have our town meetings around the country, it used to be, you know, these fine-looking hippies with big signs that said the end of the world is coming, and marching around and talking about the environment. Now you have the most unlikely but responsible leaders of the community as well as ordinary citizens who ask us, the policymakers, the elected representative people, why can't the Government, our Government, guarantee that the water we drink and the food we eat are not contaminated?

Those questions are being asked by ordinary citizens over and over every day as they continue to read about alarm bells going on some, as we know, in the apple industry, which went off far too dramatically and almost killed the apple industry overnight, simply because of a couple of apples. But those concerns of water and food are just there.

The Chairman and I are going to introduce a little bill that would be low-input agriculture. Senators Pryor and Heflin and Bond are now studying it. But what it does is voluntarily, ask the farmer voluntarily to examine the chemicals and fertilizer use that he has been using. I have to say that a third time: it is voluntary, but we are helping you with the voluntariness because we are giving you some cash incentives to do it.

We are also providing for the testing, voluntary testing, of drinking water to see if we can determine where the contaminants are coming from, whether they are from contaminated wells, and then get the data base as to what we can do about it and help with the kind of research that not only contaminates the water, the drinking water, but it might get into the catfish box. But we do have some people around the country who any time you talk about low-input agriculture or alternative ways, some of which Mr. Calhoun is suggesting, throw up their hands and say, we don't want to change anything.

We hope that we will get some help in Arkansas and the other States that we are visiting in examining these questions to try to see what we can do, where we can do it, with less chemicals.

In answer to Mr. Calhoun's question, last year we passed in the Senate—we lost it in the House—last year we found that banned chemicals, chemicals that had been banned in this country because of carcinogenic effects, were being dumped in foreign countries and then exported back here on the food that came back in our country. That's, of course, intolerant, and this year again we will make an attempt not only for more inspection but also to make sure that what we determine is unsafe for Americans cannot then go out of the country and then come back in on the imported fruits and vegetables; and we owe you that diligence in that review.

But if you will help us look at these water and chemical questions simply because the farmer, as we all know, is not only the front line of defense for the best food, but also the safest food. But also it is being demanded, as you know, by all consumers; and those farmers who are ahead of the curve and can certify that to be the ones that will make a profit faster than anybody else.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bond.

Senator BOND. Thank you, Mr. Chairman. I was going to mention that Senator Pryor and I have been discussing before Mr. Calhoun made the comment about the burdensome regulations and paperwork in the Department of Agriculture, we have introduced, along with several of our colleagues, a paperwork reduction bill, which will command the USDA to examine ways to simplify its forms, to look at office consolidation and computer access. We hope we can do a little bit to improve on that burden. Mr. McNulty got my mind completely off the subject and started talking about the catfish conversion ratio.

It's been 6 hours since I had breakfast and I was thinking about some human conversion of catfish. But I would like to know from each of you whether you feel there is enough flexibility in the conversation compliance laws, in which the initial plans are due the end of this year, that farmers in Arkansas, will remain in Federal farm programs. Are they going to be able to comply without significant economic burden?

Mr. Thomas, what is your view?

Mr. THOMAS. Well, I think that it is very possible that they will stay in the program. The matter of water contamination, soil contamination, is something that there seems to be no viable program at this time, and a lot of questions are up, and about the only thing I can say is that we are ready to work with the committee and try to devise a program that will address this issue. I will pass it on to Mr. Hillman.

Senator BOND. Mr. Hillman.

Mr. HILLMAN. A simple answer to your question is yes, the farmers in our area, that is the law; they are planning to obey the law. I think the timetable, while it may be short, is workable and generally they will comply with it and they will be ready to be in compliance by 1990.

Senator BOND. Mr. Calhoun.

Mr. CALHOUN. Yes. All the farmers I know in my area, we are going to comply. Most of them, like me, have put the rolling land in the CRP program, and the rest of my land I rotate rice and beans on and we have worked out a program that I can live with and I think helps most farmers.

Senator BOND. Mr. McNulty, anything further?

Mr. MCNULTY. No, sir.

Senator BOND. OK.

Well, I'm glad to hear that, because we have several professors in Missouri who are saying that a lot of people are going to drop out because it is too burdensome.

May I just ask you quickly—I know Mr. Hillman touched on the swampbuster program—we have a lot of concern in Missouri about the way it is administered. Mr. Hillman, do you have any suggestions on it? And do any of the others of you have comments on how we might revise it?

Mr. HILLMAN. Well, like I said when I was making my presentation, we feel like that USDA has not been following the intent of the law that you folks passed.

Senator BOND. Is it USDA or the Fish and Wildlife Service that are doing it?

Mr. HILLMAN. Perhaps it is Fish and Wildlife. But the intent of the law was to not penalize people inadvertently; and we feel like this has been done in certain instances.

Senator BOND. Any other comments from any of you gentlemen?

Senator FOWLER. Do you mean on the prosecution in the nuisance spots or the overall penalties, which?

Mr. HILLMAN. On prosecution in the nuisance spots where a person would inadvertently——

Senator FOWLER. I think we can clear that up.

Senator BOND. Yes. There have been concerns. In our State, if you have a center pivot irrigation or something and have some brush growing up in a swampy spot, you can't clear that out and put land in mitigation; that's what I was asking.

All right. Thank you, Mr. Chairman. I appreciate the guidance that our panelists have given us.

The CHAIRMAN. Senator Heflin.

Senator HEFLIN. I don't have anything.

The CHAIRMAN. Well, thank you, gentlemen, very much; and what I would suggest we do, to give everybody a chance to stretch, why don't we take 3 or 4 minutes for everybody to stretch a little bit, then we will have the open mike part of the program.

Thank you.

[Recess.]

The CHAIRMAN. If we can reconvene, I thought maybe for about 20 minutes, if we could hear from the people, if you would like to come up and say a word or two; I might suggest, Dave, that probably the most important thing is that as the people come forward, I want them to understand that their comments also become part of the official transcript of these hearings. I guess that you are a part of history this way. But when you come up, if you would say your name and your address so we can identify you in the transcript.

I might suggest, to imagine you are in Washington with the committee sitting there and somebody grabs you off the street and says, look, you can go on in there and tell those guys one thing that you want them to remember regarding the farm bill, so here is your chance to give us a couple of memories for the farm bill.

Who would like to start off?

Sir, come on up here; there is a microphone.

Yes, sir.

OPEN MICROPHONE TESTIMONY

STATEMENT OF JAMES PAT SULLIVAN, CHAIRMAN, ARKANSAS WHEAT PROMOTION BOARD, BURDETTE, AR

Mr. SULLIVAN. Mr. Chairman and distinguished panel members, my name is Pat Sullivan, and I am a farmer from Burdette, Arkansas. I farm with my three sons and my wife.

I would like to mention a couple of points and then I would like to submit a statement in typed form for the committee's later use.

I am chairman of the Arkansas Wheat Promotion Board, but I am speaking today as a farmer and as an individual.

ROTATION OF PROGRAM CROPS AND PROTECTING FARM BASE ACREAGE

The first point is rotation, and this has been mentioned earlier numerous times. In fact, I was sitting here listening to all the testimony, and I think each and every one of them at least once mentioned rotation. The benefits of rotation are many and I will not allude to that. I would like to mention one problem that we have with the 1985 farm bill and that is basically the bill has been extremely popular with many fellow farmers in Arkansas that I have talked with. However, this legislation did not address the problem we have and need for rotation out of a program crop into a nonprogram crop or out of one crop into another; and you were talking earlier about the flexibility that we need. Most farmers are required by the landowners to plant the base on that farm, the necessary acres to protect that base, if there is a farm program in effect. This farm base is very valuable to the farm and adds benefits by making the farm more valuable and making it more rentable from the landowner's perspective or from an ownership standpoint, making it more valuable to own. So, we request that your committee pursue an avenue which would allow farmers to rotate out of a particular crop.

BENEFITS FROM ROTATION

There are other benefits from rotation that have not been mentioned here, and I would like to mention one or two. Any crop, especially wheat, and that's the one I am talking about, the disease buildups, when you monoculture these crops, rice is the same way, this requires extensive use of herbicides, fungicides, all kinds of chemicals, insecticides, because these diseases and insects build up. Some of them build up in the soil itself as relates to wheat, virus diseases and other things. And so it would cut the use of chemicals drastically if we were allowed the flexibility to rotate and mix our crops.

These crops compliment each other in yield, and I think Senator Heflin had mentioned or asked a question, and I will try to respond to that. He is not present, but I'm sure he will read this testimony.

One of the reasons that the Midwest yields——

The CHAIRMAN. Senator Heflin had to get back to Alabama for a meeting there this afternoon. That's why he has left.

Mr. SULLIVAN. Yes, sir.

One of the reasons that the Midwestern yields on soybeans are so high in relation to the ones in Arkansas is because they rotate. They are very religious about their rotation. They plant corn and they rotate with soybeans. And they do this every year. They have been doing it for a long time. They know the value of rotation. We have not been able to do this because we have to plant a large percentage of our cropland in soybeans; and we end up monoculturing these soybeans. We grow them year after year on the same soil, and therefore, the yields are drastically reduced after a time from disease buildup and other problems. And also you have in Arkansas, the counties that have been practicing rotation, like Arkansas County, one of the big rice counties, their yields are considerably higher than the State average, have been for years. The statistics will bear this out. And they also are able to irrigate and to water these beans.

Thank you.

The CHAIRMAN. We will have the prepared statement inserted into the record. Were there any questions from the panel.

Mr. SULLIVAN. I will hand a copy to the secretary.

The CHAIRMAN. Thank you very much. I am sorry to cut you off, but I want to make sure we have time for the others.

[The prepared statement of Mr. Sullivan and response to Senator Heflin appear at the conclusion of the hearing.]

The CHAIRMAN. The question of crop rotation, incidentally, is one we are beginning to hear more and more of, especially for some of the pests involved. I know on my own farm how important crop rotation can be.

Yes, sir?

STATEMENT OF GIDEON VAUGHN, FARM MANAGER, HUGHES, AR

Mr. **Vaughn**. Distinquished chairman, and this outstanding Agriculture Committee, my name is Gideon Vaughn, and I am from Hughes, Arkansas. I come here as a farm manager and have been in the practice of farm management for 35 some years.

It gives me a privilege to pay you good people a compliment. Anybody answer my question? It is a mere statement to convey to each and every one of you that you are a beautiful bunch of people, for you have come here on your own time to supplement, instigate and put into actual reality what we lack as a small farming group of people. I cherish that. I am gratified and I am grateful to each and every one of you.

As I see this situation in the last few years, the only reason that we have the high price of beans is that there was a slight drought that we have here in Arkansas. That pushed the bean above a $7 level. Our surplus is at an all-time low, but ladies and gentlemen, we are coming back to that syndrome of having a huge surplus until we can concentrate and focus on the nucleus. For years, we have looked at beans; the Chinese people use it for the rice cake; this person uses it for their foodstuff. That is not good enough, gentlemen. I think what we need is to emphasize on R&D, research and development. There is a cost behind this which I am going to state that the farmer himself will have to bear the spear of the burden. But now we haven't elected to integrate the free enterprise system. As the full program begins to phase out, we are going to have to make some effort to get cooperation and have the best minds and set up an institution where the farmer, the corporations of America and the Government begin to make funds to that to get the brain-child to produce from the bean other than the foodstuff that we need. I will give you a good typical example.

Recently, I read an article. The soybean has the potentiality of producing an ink for the printing press. The only way we can compete—we cannot compete with the Brazils; we cannot compete with the European market, because they are subsidized and there labor is so much cheaper now.

Now, we have a labor law in Congress that will go in effect in the next 3 years. Now, imagine what this is going to do to our farmer. No, I don't see beans going to $20 a bushel. So unless we instigate the R&D to find new ways and new methods of making other products than the foodstuffs, we are still going to be in the same dilemma as we are today.

Thank you, gentlemen.

The **Chairman**. Thank you very, very much.

Yes, sir. Go ahead, sir.

STATEMENT OF CHARLES SMART, FARMER, CLAY COUNTY, PIGGOTT, AR

Mr. SMART. Mr. Charles Smart, of Clay County, Piggott, Arkansas, and I've spent my life on the farm; I'm still a farmer, although I am retired.

I spent 39 years as a soil conservation district board member; and I am very much interested in that and I will speak on some of that today. I am also RC&D council president for this area, and I am the second vice president for the State Association of Soil and Water Conservation Districts.

I wish to thank this committee, the chairman and the other gentlemen on the committee, the other Senators, for coming to Arkansas to see and hear some of the problems that we face. Our problems are probably no greater than in any other States, but they are our problems and we are glad you are here to see if you can be of assistance to us on this.

On the many needs of agriculture in Arkansas, the thing that I am concerned about that I want to bring to you today is on soil conservation and water conservation. I want to limit my statement to the development of the problems of protecting our water.

The CHAIRMAN. And I think that that's going to be a part of this farm bill and other hearings. It is going to be a major question now, because one of the things we learned last year during the drought hearings is that water is not something we can take for granted any longer, nor can we take the quality, purity, and safety of it for granted. I think it is going to be impossible to pass farm legislation in the future without making water a major part of it.

Mr. SMART. Thank you.

The CHAIRMAN. Thank you, sir.

Mr. SMART. Do each of you have a copy——

The CHAIRMAN. I do appreciate it and you are quite right in raising the point, because there was a time when we could take water very much for granted. That time is long gone. It will never come back again. And so we are going to have to make water a major matter of importance.

Thank you, sir.

Mr. SMART. Thank you.

The CHAIRMAN. I will take one more from this side before I go back to the other side. I did not realize there was a mike on both sides.

Yes, sir?

STATEMENT OF RANDY HARNESS, MONTGOMERY COUNTY, MO

Mr. HARNESS. My name is Randy Harness; I am from Montgomery County, Missouri. I come to the Southern States with the message that the farmers of Missouri have severe frustrations with the policies of the 1985 farm bill.

For the last 8 years, I, my brother and an extension agent from the University of Missouri, soil conversation district conservationist, two high school FFA advisers have been in a project to study tillage plots, conventional, minimum and no-till tillage variations. We have done this for 8 years.

On February 2, the group, the demonstration plot committee, and a review committee of the demonstration plot committee, made up of 12 local farmers, got a plant proposal from the extension agent, local extension agent, that wanted to study low-input and soil conserving methods of farming to the tune of $225,000, for tractors, combines, trucks, secretary's fees, soil tests, and this type of thing.

Myself, my brother and other farmers and agribusiness people in the community rallied together and said, we have seen what the local extension agent can do in a minimum to no-till farm practices to his professional work with the tillage demonstration plot and private farming operation that he had, this gentleman has convinced a three-county area where his title was agronomy specialist that minimum and no-till farming operations don't work.

Now, Mr. Bond, right before the break, made the point that the professors are saying that it is going to be hard for the farmers, and we have 2 to 5 percent slopes in our area. You know Montgomery County.

Senator BOND. Sure.

Mr. HARNESS. We have 2 to 5 percent slopes in our area.

Well, the farmers and agribusinessmen got together with Mr. Burle Lightman of the University of Missouri, St. Louis, who is the regional director of the Extension Division of the University of Missouri, we got together on February 22 with 45 of the youngest, middle-aged, most progressive farmers in our community, and we stopped this proposal. We need help. But we are up to here with specialists.

The farmer is a specialist, because they have been portraying this extension agent, he is in charge of the State no-till newsletter in Missouri; he was featured in the Missouri Ruralist on a panel for letter of no-till and stuff like this, as an adviser. I asked to editor the Missouri Ruralist who recommended him; he said, oh, he came highly recommended from the University of Missouri, this type of thing.

What this all boils down to—I know I'm running out of time—I have personally challenged—like I say, we have filled that proposal, because the extension agent had not shown merit and we didn't want him. He wanted to use my and every other farmer in the State of Missouri's corn and soybean checkoff ballot.

The CHAIRMAN. Senator Bond.

Senator BOND. I'll tell you what. Since this is a very specific question in Missouri, Dan Cassidy, my Ag LA is here. Why don't we get your phone number and address.

Mr. HARNESS. Well, I'm going to be in Kansas City this afternoon, sir.

Senator BOND. Oh, you are going to travel. OK. We appreciate your coming and we will look forward to learning about it, and I thank you.

Mr. HARNESS. I will talk to you up there, then.

Senator BOND. Yes. Thank you, sir.

The CHAIRMAN. Senator Bond now has a chance. You raise a good point.

Yes, sir.

STATEMENT OF JOHN McFARLAND, FIRST NATIONAL BANK OF WYNNE, AR

Mr. McFARLAND. Mr. Chairman, other Senators of the panel, welcome to Arkansas. We are glad you could come today. I would like to open with a——

The CHAIRMAN. Could we have your name and address, please?

Mr. McFARLAND. I am John McFarland. I am with the First National Bank of Wynne, Arkansas.

I would like to limit my comments today dealing with primarily agricultural credit and that aspect of the new farm bill.

FARMER MAC AND CROP INSURANCE

First, I would like to praise Senator Pryor and the rest of you for your actions in Farmer Mac. I think that will be one of the most far reaching long-term beneficial aspects of the farm legislation that came out of the 1980's.

Senator Pryor talked previously about crop insurance. Crop insurance is a valuable tool to agricultural credit. It is enabling farmers who might not get financed otherwise because of low capital positions to get continued production loans. I think it is a tool that needs to be streamlined. The Arkansas Wheat Growers Association has sent a list of proposals to some subcommittee and a lot of the specific needs have been addressed in that, so I will not belabor on those points. We are very much appreciative in our area for the guaranteed FmHA loans. We have used this program very successfully. I would encourage further development of this program so that you might adopt one like in HUD. Housing and Urban Development has a program where they have direct endorsement underwriting. That's where the local institutions——

The CHAIRMAN. Direct endorsement what?

Mr. McFARLAND. Direct endorsement underwriting. And that has let the local institution make the credit underwriting decisions and they can fund and obligate Farmers Home as they would in HUD. That will streamline the entire process of credit.

Senator PRYOR. This is commonly, I guess, called the secondary market, is it?

Mr. McFARLAND. No, sir. The secondary market was really prior to that.

Senator PRYOR. OK. Fine.

Mr. McFARLAND. The Farmers Home—well, right. We sell the HUD loans into the secondary market, but we do the credit underwriting for HUD that takes the local offices out of the process and it greatly streamlines it.

In closing, I would say whatever piece of legislation you do ultimately developed for the farm bill, it needs to be done early enough so that once the law is passed and then it goes into the ASCS interpreting process, that it will get passed to the agricultural lenders at least 90 days before we go to crop planting time.

Thank you.

The CHAIRMAN. Thank you very much.

Yes, sir?

STATEMENT OF MARION BERRY, MEMBER, ARKANSAS SOIL AND WATER CONSERVATION COMMISSION, GILLETTE, AR

Mr. BERRY. My name is Marion Berry, and I am a member of the Arkansas Soil and Water Conservation Commission.

In Arkansas, we have about a 17 percent ground water deficit and we realize that to sustain our level of agriculture that we now have, this has to be dealt with. And one of the things we see as a method of solving this problem is for the new farm bill to use set-aside and CRP to write these rules in a way that we can create on-farm water storage and help solve some of these problems, and we just encourage you to do this.

The CHAIRMAN. Thank you very much, sir.

STATEMENT OF JOHN NAILL, FARMER, BRINKLEY, AR

Mr. NAILL. Mr. Chairman, Senator Pryor and other members of the committee: my name is John Naill. I am from Brinkley and Biscoe, Arkansas; I am a farmer. I am a member of a family that for three generations has borrowed from the Farm Credit System.

BUMPERS-PRYOR AMENDMENT

I am here today to speak in behalf of your support of continuing the Bumpers-Pryor amendment to the Agricultural Credit Act of 1987.

Farmers in east Arkansas understand the purpose of the Bumpers-Pryor amendment. This was an amendment to correct legislation that put an assessment on the production credit associations of this country. Bumpers-Pryor legislation was to correct an assessment formula based on what PCA's might loan rather than what they were loaning. It was good legislation.

REPEAL OF BUMPERS-PRYOR WOULD BE TREMENDOUS FINANCIAL BURDEN

Farmers in east Arkansas understand what a repeal of Bumpers-Pryor would mean to them and to their budgets. It would mean first of all to their associations a tremendous financial burden placed on their associations. In my local one here in east Arkansas, it would mean an increase of an assessment of from $400,000 to $2,700,000. Farmers understand that this money would not come out of thin air. It would have to come from an increase in interest rates. They understand, as has been explained to me and my little association, that if Bumpers-Pryor is repealed, it will mean an increase of 1 percent in the loan rate to farmers in this east Arkansas area.

REPEAL OF BUMPERS-PRYOR AND CUT IN FARM PROGRAMS NOT VIABLE OR ACCEPTABLE

Bumpers-Pryor was good legislation and we understand that the Office of Management and Budget has given a choice of either repeal of Bumpers-Pryor or a cut in farm programs of some of $400 million. Neither one of these is a viable or acceptable choice. The Bumpers-Pryor was good legislation, as I pointed out to begin with; it had broad support throughout the country and it should be maintained. To cut the farm program is not good; it's unfair and it's unreasonable to farmers who have already taken more of their fair share of the mandated budget cuts.

FARMERS HAVE BEEN COOPERATIVE

In closing, then, gentlemen, I would like to point out that farmers have been cooperative with programs the Government has had in the past. There is not a better example of farmer support and farmer response to help than in the Farm Credit System which the farmers paid back every red cent of capital money that was put into their land banks, their PCA's and their cooperative banks back in the 1930's. Farmers paid it back, and they will do so under the present situation if they are treated reasonably. Bumpers-Pryor is reasonable and we hope you will keep it.

I mentioned "three generations" of farmers have benefited from the Farm Credit System. With your support of Bumpers-Pryor and keeping it in effect, farmers across the country will have a fourth generation of farmers to enjoy this dependable source of farm credit at a reasonable price. We hope you will support it. Thank you very much for allowing me to speak to you.

[The prepared statement of Mr. Naill appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you.

We have only a few minutes left. Let me say one thing. If there is anybody that does not get a chance to testify here, if they want to send me a letter within the next few days either at the committee in Washington or directly to Senator Pryor's office with their statement to be included as part of the record, we will make sure it is done. I will keep the record open for a few days in case somebody does get cut off.

Go ahead, sir.

STATEMENT OF TOMMY WILLIS, FORMER NATIONAL PRESIDENT, AMERICAN AGRICULTURAL MOVEMENT, BROWNSVILLE, TN

Mr. WILLIS. Thank you. I appreciate that. And I will try to take just a few minutes.

I'm Tommy Willis from Brownsville, Tennessee, former national president, American Agricultural Movement. But I appear here today as a farmer with some concerns.

I would like to say that I agree with a majority of what has been said here today, particularly in the areas of cotton and rice.

COST OF PROGRAMS

There is one area that has not been addressed that I feel should; that is, the cost of the programs. With Gramm-Rudman and everything staring us in the face, we know that it will be at risk. And another thing is, talking about the cost of the program, we get so much publicity because the farmers are subsidized. The farmer is only about 2 percent of the population of the United States; yet, there are about 23 or 24 percent of the population involved in agriculture, either in supply or distribution. They benefit from these subsidies oftentimes more so than the farmers do. Yet, we get 100 percent of the blame; then we are limited to the payment limitations, et cetera.

CONSIDER RAISING LOAN RATES

What I would like for you all to consider is raising the loan rates, getting them closer to the target prices. This would reduce the deficiency payments. Then you could implement an EEP or a marketing loan or whichever way the Government sees fit to move the exports and get some of the burden or the cost of the program off of the backs of the farmers. We are not the only ones who benefit from these programs.

SOYBEANS INCLUDED AS A PROGRAM CROP

Another thing I would like to mention very briefly is we would like to see soybeans included as a program crop and supported with the historical ratios of corn to beans, which is 2½ to 1 ratio, or cotton to beans, which is usually established as a 10 to 1 ratio. Most of our farmers in this area feel this way, and I would like to express this to the committee.

I thank you.

The CHAIRMAN. Thank you.

We will take only one more person. As I previously said please feel free to send to me or to Senator Pryor's office your prepared statement and we will have it included in the record. I hope the press notes the comments of the last witness. The fact is that we as Americans, pay less of our total income for food than any other nation. And that's something that we must at times be reminded of.

Go ahead, sir.

STATEMENT OF WAYNE NICHOLS, GENERAL MANAGER OF THE LOCAL PRODUCTION CREDIT ASSOCIATION AND PRESIDENT OF THE LOCAL FEDERAL LAND BANK, JONESBORO, AR

Mr. NICHOLS. Thank you. I feel privileged to have the last comment here.

My name is Wayne Nichols; I am the general manager of the local Production Credit Association and president of the local Federal land bank in these 10 counties along the Mississippi River.

BUMPERS-PRYOR AMENDMENT

I basically want to make a brief statement thanking Senator Pryor for his support of the Bumpers-Pryor amendment.

Our assessment on this was that $3.6 million we sent to the assistance board and we received back approximately $3 million as a result of the Bumpers-Pryor amendment.

Within these 10 counties located along the river during this spring, we will loan approximately $100 million. So it is quite instrumental to us to have this money back. It equates to an interest rate break for our membership as they borrow funds from us. Mr. Naill indicated that in his local association it would stack up to about 1 percent. In our unit, it would stack up to about three-fourths of 1 percent.

Gentlemen, in conclusion, I think when you often deal with farm credit, you are dealing with district bank staff, district bank presidents, and people who are very skilled and articulate in the ways of the System.

The System itself is really composed of a great number of people sitting in this room that are called farmers, and the benefit that the System receives comes back to these farmers, especially in the Bumpers-Pryor amendment, in the way of a lesser interest rate, and also benefits individuals who do not do business with the System. By us keeping our rates competitive with our main competitors, commercial banks, non-System users also benefit.

Thank you very much. We appreciate the opportunity to make these comments and I hope you enjoyed your stay in Arkansas.

The CHAIRMAN. Thank you very much.

Let me conclude.

If we end up with a good farm bill, and I sincerely hope that we will, it is going to be because of people like the men and women who are here this morning, because ultimately, you are the ones most affected by it. But all of us, as Americans, are affected by how we do the farm bill. We have a great, wonderful, and good country, the most powerful, wealthiest nation in the world. But part of our power, our wealth, and our greatness comes from the fact that one, we have free-enterprise; second, that we have a strong agrarian history; and third, that we have the basic values of America, values seen in rural America more than anywhere else. We have a responsibility to make sure that we use that ability to feed ourselves, as well as those less fortunate than ourselves. There are a lot of hungry people in this country, and we should be making all the efforts necessary to feed them. We must also reach out to help out other parts of the world with our food. It's a wonderful blessing that we have, but it goes beyond the political, economic, or social aspects. There's a moral foundation to it.

We have the blessing of being able to feed ourselves and produce enormous quantities of food. We also have a responsibility to do what we can to eliminate hunger in our own country and elsewhere. Farmers understand that. Sometimes it is good to make sure the rest of the world understands it.

David, I thank you again for making it possible.

Senator PRYOR. Well, Senator Leahy, I thank you. Our group is headed in a few moments to Missouri to Senator Bond's State, where they are going to have a similar hearing there this afternoon. What time is that, Kit?

Senator BOND. 2:15.

Senator PRYOR. 2:15. And so wheels are going to be up in just a very few moments. We are sorry we had to cut some of you off, and I know some of you, and hopefully you will send to me your written submissions.

John Naill has a written statement, Mr. Chairman, and I ask that it be made a permanent part of the record.

[See pages 234–235 for Mr. Naill's prepared statement.]

Senator PRYOR. And I thank the Helms family for the use of this gin. What I did not know is I think there is about 26 or so stockholders and they are represented here today. I want to thank those who are a part of this state-of-the-art facility in cotton ginning in the United States of America.

The CHAIRMAN. Please put your hands up.

Senator **Pryor**. Mr. Chairman, this has been a unique experience today for us here in Crittenden County. Among other things, we not only learned a great deal about the grassroots feeling about the 1990 farm bill, what should or should not be in there, but also I've made Harvey Joe Sanner the president of the American Farm Bureau, which I think is unique in itself. And that's part of the beauty here of this hearing. We have not only Republicans and Democrats at this table; we have Republicans and Democrats and liberals and conservatives, farm bureau, AAM, catfish farmers and you name it, who have testified here today.

Mr. Chairman, the final outlook in this, if I might summarize one little point. I've always looked at food not as a weapon. I don't look at food as something we should use as a weapon, for example, in an embargo. But just in recent weeks thinking what has happened in the Soviet Union, sugar is being rationed for the first time since World War II. The food lines are longer today than they were in the year 1946 to get food in the Soviet Union.

We have a new business college going in, opening June 1, in the Soviet Union. There are four new resort casino hotels being opened very soon on the Black Sea, and a gentleman from Little Rock, Arkansas may be a partner in some of those hotels. We are seeing a drastic change, yet we are also seeing the fact that 60 percent of the Russian potato crop rots before it gets to market. That is the failure of communism. It is their failure, but, folks, it becomes our opportunity, not only to open new markets, but more importantly, to once again use food as a vehicle and as a tool for peace. We can produce it here in this country if we will be given the opportunity to produce and the opportunity of fair competition. That is what we hope the 1990 farm bill is going to be all about.

Mr. Chairman, thank you, and thank you, colleagues, for coming.

The **Chairman**. Thank you very much, David.

[Whereupon, at 11:41 a.m., the committee recessed to reconvene at 2:30 p.m., Tuesday, April 25, 1989, at the Platte City Vocational Technical Center, Platte City, MO.]

[Material submitted for inclusion in the record follows:]

APPENDIX

PREPARED STATEMENT OF HON. ALBERT GORE, JR., A U.S. SENATOR FROM TENNESSEE

Mr. Chairman, thank you for the opportunity to address the Agriculture Committee today. I would like to commend the committee for coming to West Memphis to listen to the concerns of the Midsouth farmers as you and your fellow committee members begin to write the 1990 farm bill. Your coming to the countryside today shows your commitment to the democratic process and your concern for our farmers, who are the backbone of American agriculture. As the owner of a Black Angus cattle farm myself, I am very aware of the importance and impact of Government farm programs on farmers and farming. For farmers, rural Americans, and the entire agricultural industry, there is no legislation more important than the bill being addressed today.

Though you are not in Tennessee today, Mr. Chairman, you're close enough for me to brag a bit on our Tennessee farmers. As in the United States as a whole, agriculture is still the number one industry in Tennessee. We have one of the most diversified agricultural production systems in the country, growing everything from cotton, soybeans, and other row crops in west Tennessee, to tobacco, cattle and hogs in middle Tennessee, to Burley tobacco, pastureland and specialty crops in east Tennessee.

Though we have suffered our share of difficulties during the agricultural depression of the 1980's, our farmers are full of energy and determined to triumph in the face of stiff challenges from the world market. We look forward to the 1990's being an opportunity for growth and prosperity on our farms. Looking ahead, Tennessee farmers have many concerns that they would like to see addressed in the next farm bill. However, I will save those concerns until I can be present to discuss them in detail.

I regret being unable to join you today and to fully share with you my views on this important bill. As many of you know, my wife, Tipper, and I are with our youngest child, 6-year-old Albert, at the Johns Hopkins Childrens Center where he's been hospitalized for several weeks, recovering from serious injuries he suffered when he was hit by a car. Albert is making slow but steady progress. He is in traction now, undergoing some painful physical therapy, but he is recovering well from surgery—the doctors removed most of his spleen after it was ruptured in the accident—and his internal injuries are healing. We have cleared our schedules to be with him during this difficult time and we are working to help Albert regain his strength.

Again, I want to thank my colleagues for allowing me to share my thoughts with you on this important legislation. I look forward to working with them on this bill as it proceeds through the Congress.

PREPARED STATEMENT OF MILTON THOMAS, PRESIDENT, ARKANSAS FARMERS UNION, BEEDEVILLE, AR

Thank you, and good morning. I am Milton Thomas, president of the Arkansas Farmers Union, a general farm organization serving more than 80,000 families in this State. I appreciate the chance to be here this morning.

My remarks today will be limited to our suggestions for the 1990 farm bill in the area of protecting our natural resources. My full statement covers a broader range of issues, and I would like to submit it for the hearing record, if I may. My statement both offers Farmers Union's farm bill suggestions, and responds to the testimony given to this committee last Wednesday by Agriculture Secretary Clayton Yeutter.

Last month, the National Farmers Union held its 87th Annual Convention here in Arkansas, and portions of the delegates' approved policy statement for 1989 which relate to the farm bill are attached to my statement. Farmers Union stands for a simplified and more direct program that returns to the goal of assuring producers a reasonable livelihood by providing price and income protection on a family farm level of production.

In other words, we stand for the sustainability of family farms, whether we're discussing commodity programs or the best stewardship of our soil and water resources. The single best thing we can do to encourage conservation practices is to give farmers the realistic hope of passing a profitable farm operation down to the next generation.

Farmers Union is deeply concerned that such a hope will evaporate if the United States allows the agricultural export "tail" to wag the domestic farm policy "dog." Exports are undeniably important to our agricultural economy, and no one can deny the effect of global supply and demand, foreign dumping practices, and the like on the success of our farm programs. But, we urge you to bear in mind throughout the development of the 1990 farm bill, that in 1980 and 1981—the years in which our agricultural exports peaked—exports only accounted for about 30 percent of cash farm receipts. More than two-thirds of what kept American agriculture going came from domestic consumption. From 1950-1975, "normal" export levels resulted in anywhere from 10.5-16 percent of cash farm receipts. Since 1981, "normal" has meant 20-25 percent of cash farm receipts.

We also urge you to remember that exchange rates, global unemployment rates, weather, and other economic and social factors over which Congress, USDA, and our trade negotiators have no control could easily lay asunder the best laid export plans. Farm programs are, by necessity, primarily domestic policy tools, and we object to their characterization as "trade-distorting subsidies."

It was USDA's efforts to administer the domestic farm programs established in 1985 as tools of foreign policy that has caused an outward migration from rural America and left this committee hoping to pass rural development legislation in 1989. At every opportunity, prices of all commodities were driven down so that the percentage destined for export could "compete." Through commodity certificates, catalog sales, manipulation of farmer-owned reserves, and maximum use of the Findley provision to lower loan rates below legislated levels, USDA sought to recapture "our" export markets. While some export volume was recovered, it was at the expense of export value—which has begun to catch up as world stocks have been drawn down by bad weather—and the good will of nations that serve not only as our major competitors, but also as our largest customers.

This export-orientation also cost us in terms of farm program budgets. Secretary Yeutter suggested that taxpayers may not be willing to continue paying high levels of farm subsidies. He may be right, particularly as taxpayers realize how much of their money has gone into "recapturing" export markets. It is true that the cost of deficiency payments has gone down (especially since the drought increased market prices), but we have still spent more money on farm payments in the last 8 years than in the entire history of farm programs. Those payments were made to help farmers to keep paying their creditors during a time when the market value of their crop was driven down by the Government. Those payments were made to multinational grain traders, who were already posting record profits, to help them regain market share.

Surely, there were important export provisions in the Food Security Act of 1985 that were needed to take the United States out of the position of being the world's residual supplier and to counter the unfair trading practices of some of our competitors. But the Export Enhancement Program (EEP), which donates Government stocks to American grain exporters who sell at below-market levels, has been responsible for a large majority of our wheat sales in recent years. For all of USDA's efforts to drive down prices, and all of the pain those efforts caused in our rural communities, low prices weren't enough to make our wheat competitive without these extra bonuses. A January 18, 1989 Associated Press story on EEP sales to the Soviet Union and China claims that on average, farmers received $4.00 per bushel on wheat which carried EEP subsidies in both cases of more than five times that amount. The January 21, 1989 issue of *ProFarmer* reports that Iraq, traditionally a U.S. wheat market, actually purchased wheat from the Europeans in order to become eligible for U.S. EEP bonuses in the future.

We believe that EEP has gotten out of hand. This subsidy to multinational grain traders has grown beyond the "gorilla in the closet" status that Congress envisioned in 1985. USDA's failure to understand the willingness of our competitors to fight for markets has led to a tremendous escalation of export subsidy costs. We are not suggesting that the program be abolished, because the reasons for it still exist. But we are suggesting that in times of tight budgets, all programs should share in whatever scaling back is required.

Clayton Yeutter suggested to you last week that the cure for the problem of high program costs is international negotiation. We agree. International negotiations should begin immediately in two areas:

First, we must negotiate with debtor nations in the Third World to reduce their debt in exchange for economic reforms that will improve their people's standard of living. The only way to build new markets for American food and fiber products is to attack poverty on a worldwide bases. Unfortunately, Secretary Yeutter's statement is completely silent on hunger issues.

Second, for existing markets, international negotiations should take place to achieve long-term agreements on agricultural production and prices, i.e., fair trade. Farmers Union has maintained since the beginning of the Uruguay round that the General Agreement on Tariffs and Trade (GATT) is not the appropriate forum for negotiations on something as unique as agriculture. Food and fiber should not be negotiated under the same terms as microchips and intellectual property. Everything from production methods to market elasticity to underlying social policies is different. The agreement reached in Geneva recently calls for a strengthened GATT regime. We would urge that, in the course of renegotiating the structure of the GATT, that the United States strive to have agriculture negotiated separately from the other titles.

Secretary Yeutter, reassured the committee that Congress was free to write a farm bill, although it would be superseded by legislation implementing GATT. He suggested that a farm bill inconsistent with the GATT agreement would be a xenophobic shot in the foot. We would never recommend that the United States take a position showing a fear or distrust of foreigners. What we are advocating is international negotiations to arrive at fair terms of trade, rather than free trade.

The simple fact is that there are some commodities, like sugar and cotton, for which the United States is not the lowest cost producer. In a totally free market, we would eventually lose those industries. Again, agriculture is different from computers. If a factory stops producing item A, it can be retooled to produce item B. That doesn't necessarily work with farmland. Totally free trade in agriculture will cause greater depression in areas of rural America. Deliberately putting ourselves in that situation is indeed shooting ourselves in the foot, if not amputating the entire leg.

Moving to the specific recommendations made by Secretary Yeutter last week, I would like to briefly comment and offer Farmers Union's alternatives.

We agree with Secretary Yeutter's assessment that current programs do not allow farmers the flexibility to respond to market signals, and even alter market signals with price ratios that are out of alignment. We would recommend returning to the idea of a normal crop acreage base, with proven yields. We would also recommend setting up regional base pools, according to traditional production patterns. For example, if a region traditionally produces 60 percent of the country's corn, it would receive an allotment of 60 percent of the corn base, which would be reallocated to individual producers. Assuming the region would also have a percentage of other commodity bases, such as oats, an individual producer could trade corn base for an amount of oat base within the pool by applying at his local ASCS office. This would allow producers to respond to local market signals, while still allowing supply management over the region. We believe that the pool would balance out over the region, but additional base could be brought into the pool by using multi-year set-asides and penalizing producers who jump in and out of the program by reducing their base allotment.

Bases should be established by units of production, sufficient to meet our domestic, export, and reserve needs. We agree with Secretary Yeutter that our reserve policies should be reviewed, although we differ in approach. The farmer-owned reserve should be used to prevent shortages, not to depress prices. Unless a farmer is storing a commodity for his own use as a type of tangible crop insurance, on-farm storage is the same service to the public as commercial storage, and it should be paid by the same rates.

Secretary Yeutter correctly called for finding ways to reduce program costs. Unfortunately, once he ruled out cutting EEP funding, raising loan rates, and increasing acreage set-asides, it was clear that his preferred way to balance the agricultural budget was to reduce farm income dollar for dollar. We cannot agree with that approach. Lowering loan rates alone did not improve our export situation—we still needed EEP to recover volume and bad weather to recover value. We do not believe that raising loan rates alone will cause disaster for the one-quarter of agriculture's cash receipts that come from exports. On the contrary, we believe that low prices are the problem, not the solution. Loan rates should be raised to current market price levels or, at the very least, the Findley provision should be repealed.

Low world prices have affected other nations as well. Subsidy wars have cost industrialized nations dearly. Heavily indebted Third World nations have plowed up acres of rainforests and diverted land that should be growing food for domestic consumption, in order to grow export commodities to earn foreign exchange. As the price goes down, they have to produce more.

Another cost-saving measure for farm programs would be to target programs to reach only the intended beneficiaries. Farmers Union supports targeting program benefits to the level of production of mid-sized family farms—those which are too big for off-farm employment to be the primary source of gross income, yet are too small to have individual bargaining power in the marketplace. A family farm is one which is owned and operated by a farm family, with the family providing most of the labor needed for the farming operation, assuming the economic risk, making most of the management decisions, and depending primarily on farming for a living. Farmers Union would prefer a targeting plan that concentrates on supporting the family farm system of agriculture over a plan that calls for supporting a percentage of all farmers' production. The financial resources that existed when the farm bill was debated in 1985 simply do not exist today. We recognize that the targeting line is harder to draw as we suggest it, but we believe that taxpayers are not interested in continuing to support large corporate farms on the one hand or small hobby farms on the other.

Secretary Yeutter's next point was the often repeated call for Congress to forgo disaster relief measures in order to encourage use of crop insurance. Farmers Union has been extremely supportive of crop insurance over the years. However, we cannot advocate an end to disaster programs until more coverage is available on more crops in more places.

The purpose of disaster programs has been to help farmers recover lost income, so they can continue to pay their debts. In the 1988 legislation, for example, advance deficiency payments were forgiven, disaster payments were based on projected yield, producers who had crop insurance could also receive disaster payments up to 100 percent of their anticipated income, etc. For crop insurance to ultimately replace disaster programs, there must be at least one coverage option that provides for lost income. In other words, crop insurance that recoups planting costs isn't good enough; a producer must at least be able to recoup total costs of production, including land and family living expenses, minus harvesting and storage costs saved.

We went through USDA average statistics on planting costs, yields, total production costs, and market prices for the years 1980–1987 on wheat, grain sorghum, corn, soybeans, oats, barley, rice, cotton, and peanuts. Except for peanuts, the market price nearly always fell somewhere between planting costs and total costs of production. Since one of the factors in determining current crop insurance coverage is choosing a percentage of anticipated market price, we believe that all current coverage options are insufficient to replace disaster programs—except for peanuts, where the market price was consistently above the total costs of production. Not coincidentally, peanuts was the only commodity to have in place a sound supply management program. If we are serious about replacing disaster programs with crop insurance, then we must either change other commodity programs to work like the peanut program, or we must offer a price election based on the total costs of production.

Farmers Union would also recommend increasing available coverage by raising yield options. Our policy statement calls for options of 60, 70, or 80 percent of actual production history.

Making a targeted portion of crop insurance premiums available as a benefit of commodity program signup could provide a triple benefit. It would substantially increase the risk pool for crop insurance, allowing premium rates to decrease. It would serve as an incentive to participate in the commodity programs, which could further other policy goals. And, it could streamline program administration by allowing a farmer to certify acreage, yield, conservation compliance, etc. one time, with one signup. ASCS employees are already familiar with crop failures through disaster programs. The timing of commodity and crop insurance program announcements could be better coordinated.

We agree with Secretary Yeutter that other measures to simplify farm program administration should be explored both in Congress and in USDA, although we would caution against simplifying farm programs by eliminating them. Issuing farmers "hardship checks," as Ambassador Hills described decoupling transition payments to the House Ways and Means Committee, is not the answer.

Secretary Yeutter correctly noted that the 1990 farm bill must devote considerable attention to environmental issues and that the Food Security Act of 1985 made a good start in the area of soil conservation. Farmers Union supports the goal of reducing soil losses to tolerable levels through such tools as cross-compliance, sodbuster and swampbuster restrictions, and the opportunity for long-term land retirement in the Conservation Reserve Program (CRP).

The CRP has been successful in removing millions of acres of highly erodible land from production. Farmers Union believes that CRP eligibility should be expanded to accommodate other types of environmentally fragile land. For example, CRP could be used as a last resort for land on which the soil type is too sandy to allow any type of chemical use without leaching into ground water, and for which nonchemical alternatives aren't feasible. Since there is plenty of "room left" within, the original 45 million acres, we do not believe that it is necessary to increase the overall or per county acreage caps at this time.

We are deeply concerned about Secretary Yeutter's statement to the effect that we should look for alternatives to the CRP because of its cost and our current tight supplies. Farmers Union believes that land currently enrolled in the CRP probably should not have been farmed in the first place and, like many others, we would be slow to endorse a plan to bring that land back into production. Tight supplies this year are the result of a drought last year, not some long-term change in American agriculture's ability to overproduce. On the question of cost, there is really no basis for comparison unless one can estimate the "value" of our soil resources. Farmers Union believes that payments made under CRP contracts have been good investments—provided that the land stays in some soil-conserving use when the contract expires.

There are any number of creative ways to deal with land that will be coming out of CRP in the next few years. Anything, from establishing a youth conservation team to give rural young people summer jobs planting trees, to breaks in establishing commodity bases for beginning farmers who agree to leave CRP land in conserving uses, to even providing estate tax incentives for long-term easements, is worth exploring.

As we move into the conservation plan implementation stage, the need for a fully staffed and funded Soil Conservation Service (SCS) is becoming crucial, as is the need for cost-sharing conservation measures. We urge the committee to preserve the role of the SCS employees as helpful technical advisers, and not "program police." The number of environmental challenges and farmers' needs for information have never been greater. We cannot afford to risk the relationship of trust that has grown over the years between farmers and the SCS.

The 1985 conservation provisions were a good first step, but the time has come to move beyond a separate title tucked in the back of a bill toward making commodity programs more compatible with our environmental goals, both for soil and water. We believe that Secretary Yeutter correctly described the problem to you, but we absolutely disagree with his proposed solution. It doesn't make sense for commodity programs to require farmers to set aside some of their acreage, and then pay them according to how much they can possibly produce off the remainder. We shouldn't set up programs that discourage crop rotations. But decoupling is not the answer. Decoupling farm program payments from commodity production will take billions out of the farm economy by forcing prices lower, and will require farmers to produce more in order to meet fixed costs. Farmers will overproduce on all of their land instead of some of it, collectively driving prices still lower. When an individual farmer couldn't expand anymore and dropped out, his land would be purchased by another still-expanding farmer and kept in production.

What makes the cross-compliance, sodbuster, and swampbuster provisions effective—and even Secretary Yeutter hails them as a major advancement—is the fear of losing program benefits. If program benefits are removed anyway, we are virtually guaranteed that marginal lands will be kept in production. In addition, the options for new stewardship incentives are substantially diminished.

Farmers Union believes that a far better alternative to decoupling is to work within existing programs, and we would recommend three basic areas of change:

First, simply making payments based on units of production instead of acreage would not only allow USDA to predict program costs with a greater degree of certainty, it would also allow farmers to farm using crop and field rotations that make sense for their operation. Being paid a fair price on a specified amount of production would allow farmers to lower their variable costs by using more of their fixed land assets.

A second change would be to allow producers a one-time opportunity to prove actual yield. This would attract higher producers into the program, and therefore into cross-compliance.

Third, farmers should be able to enter into long-term rotations with such crops as alfalfa or legumes without violating sodbuster requirements and without losing base in their primary commodity. Along this line, we would support multi-year set-asides to allow time to establish vegetative cover crops.

While water protection has generally been left to the States through the Clean Water Act and other water quality legislation, we believe that the Federal Government can help. We hope that President Bush's commitment to water quality takes shape in the form of research and education funds. It is time for agriculture to address the role it plays in contributing nitrates and pesticides to our ground water supplies, but there is still too much we don't know about such issues as how chemicals travel through soil and what can be done to clean up ground water once it is polluted. We need the research and outreach to farmers that will allow for a balance between incentives and penalties, conservation goals and production needs.

We need to develop practical low-input and non-chemical alternatives for more commodities, not just to protect ground water and lower farm input costs, but to decrease the potential for pesticide residues remaining in our food. Secretary Yeutter correctly reported that American consumers are worried about the safety of their food supply, and much of that is due to pesticides. As advocates for American agriculture, we should all address consumer concerns, not just by telling them that their food is safe, but by showing them what we're doing to make sure the food supply is safe. We need a fully staffed Food Safety and Inspection Service. We need close cooperation among USDA, the Environmental Protection Agency and the Food and Drug Administration. We need a farm bill that demonstrates a commitment to sustainability.

There are several areas which ought to be addressed in the 1990 farm bill, on which the Secretary did not offer testimony last week. Domestic hunger, agricultural credit—including mediation funds, research into industrial uses for agricultural commodities, extension service activities, and grain quality standards are just some of the other issues that will be on the table over the next 18 months. Farmers Union looks forward to working with this committee and the House Agriculture Committee to develop long-term legislation.

Thank you.

[Attachment follows:]

[Excerpted from National Farmers Union 1989 Policy Statement]

ARTICLE I—AGRICULTURE PROGRAMS FOR THE FAMILY FARM

A. THE NEW LONG-RANGE FARM PROGRAM

We call upon Congress to develop a simplified and more direct program that returns to the goal of assuring producers a reasonable livelihood by providing price and income protection on a family farm level of production. The following principles need to be included in a new farm bill:

1. We support a long-term, predictable Federal farm program.
2. To achieve a parity of income with our urban and suburban neighbors, we support cost of production plus a reasonable profit as the primary income goal for farmers. Program benefits should be targeted to family farms.
3. Marketing quotas and marketing certificates (supply management based on bushels and poundage instead of acreage) should be utilized in supply management programs, when adopted with producer participation.
4. Tiered marketing quotas, set-asides, and price supports, together with realistic overall and per-program limitations should be enacted and effectively enforced on all farm program provisions so program benefits are targeted to small and medium-sized farmers.
5. The farmer-held grain reserve program should be revised and improved so that:
   a. It functions as an "ever-normal" granary;
   b. Loans are at 110 percent of the base loan rate;
   c. Storage is paid to farmers at commercial rates;
   d. It includes all storable crops;
   e. Immediate entry into the farmer-owned reserve should be permitted; and
   f. Extension of loan should be granted if market prices are below release levels at time of maturity of reserve loan.

6. The Commodity Credit Corporation (CCC) should negotiate long-term agreements with importing nations.

B. The Economic Rationale for Federal Farm Programs

1. FAMILY FARMS

Characteristically, a family farm is owned and operated by a farm family, with the family providing most of the labor needed for the farming operation, assuming the economic risk, making most of the management decisions, and depending primarily on farming for a living.

Ideally, the family farm should be an economically adequate production unit which provides the farm family a net income comparable to the net income of families in other sectors of our society.

2. FAMILY FARM STRUCTURE

We reaffirm the National Farmers Union's position that Federal policies and programs are essential to protect family farmers against the hazards of the marketplace, where almost everyone—except the farmer—is protected. Public policy must involve itself in helping to sustain the independent farmer in an economy which is otherwise strongly organized—in which most other production is planned, most marketings are rationed, and most prices and profits are administered.

3. ECONOMIC EQUITY FOR FARMERS

Workers have a minimum wage and the right to collective bargaining; many consumers have the advantage of having earnings or income linked to the Consumer Price Index; and regulated industries have a guaranteed return.

In agriculture, an economic yardstick is essential, both to measure the fairness of the prices and income received by farmers, and to serve as the basis for establishing farm stabilization goals and support program levels.

Continued research and study should be directed toward assuring a satisfactory benchmark for farm prices and income. Until such time as Congress legislates a superior new yardstick, parity remains a useful standard for measuring the well-being of farmers.

4. NATIONAL FARM AND FOOD POLICY

Since 1977, family farmers have witnessed a deterioration in the price support and supply management provisions of each succeeding 4-year farm law. As administered, the Food Security Act of 1985 is a continuation of that trend.

The "market-oriented" label on recent programs has been a misnomer. These programs have been "supply-oriented" in concept and less concerned with fairness and stability of prices and income. As a result, the farm economy has become more unstable and insecure and prices have fallen dramatically. We have tried to regain export markets at the expense of domestic producers, and have sought volume at the expense of value. In this sense, more of this misguided "market orientation" will only aggravate problems.

As a result of the 1988 drought, the American people should recognize that food supplies and food policy are too important to be left to chance. Farm policy must not only seek abundant production but must provide the incentives and protection which will enable producers to sustain productive capacity over the long term.

5. TARGETING PROTECTION TO FAMILY FARMS

Recognizing budget-driven pressures on USDA spending levels, we recommend that the 1990 farm bill make the family farm system its first priority. Targeting program protections to family farm units can reduce Government costs while furthering the sustainability of our family farms, our rural communities and our soil and water resources.

6. SUPPLY MANAGEMENT OPTIONS

To strengthen the family farm structure of agriculture and provide adequate minimum quotas for individual farms, production or marketing quotas should be based on units of production rather than acres. Base production levels should reflect domestic and export needs, and should also provide for a strategic reserve in case of disaster.

Producers should have the flexibility within crop acreage bases to make their own farm management decisions and utilize soil conserving crop rotations.

By providing appropriate limits on commodity loans, consistent with effective supply management, price protection would be targeted to family farmers.

Use of bushel or poundage quotas will largely eliminate the problem with acreage diversion in which poorer acres are diverted or the acreage cuts are offset in part by more intensive farming. This change is essential to make supply management truly effective.

Any entity engaged in farming that breaks out native grassland or wooded land should not receive program benefits on crops produced on those farms.

Non-resident alien owners should not be eligible to receive farm program benefits.

Farms participating in any payment or loan-producing programs should be encouraged to participate in available soil conservation and water protection practices for that farm, as approved by local Agricultural Stabilization and Conservation Service (ASCS), Soil Conservation Service (SCS), or Soil and Water Conservation districts.

PREPARED STATEMENT OF DAVID HILLMAN, ARKANSAS FARM BUREAU FEDERATION, ALMYRA, AR

Mr. Chairman, Senator Pryor and members of the committee, I am David Hillman, a member of the board of directors of the Arkansas Farm Bureau Federation. I would like to express my appreciation to the Senate Agriculture Committee for having this hearing in Arkansas. The Arkansas Farm Bureau is the largest farm organization in the State with a membership of 142,639. We fully recognize the importance of the 1990 farm bill to Arkansas farmers, and we commend your efforts to provide farmers with this opportunity to address the issues.

As we begin the fourth year of the Food Security Act of 1985, we would do well to reflect on its performance. The main objectives of that legislation which Farm Bureau supported were to:

(1) Provide support for farm income;
(2) Improve competitiveness of U.S. farm products in world markets; and
(3) Voluntarily reduce carryover stocks.

In general, the 1985 act has been very effective in meeting its objectives. Net farm income has improved to record levels in recent years.

Setting loan rates at a percentage of average market prices, coupled with programs such as the Export Enhancement Program and the marketing loan program have made us more competitive in world markets and increased domestic sales. The U.S. share of world markets since 1985 has increased by 12 percent for wheat, 17 percent for feed grains, 7 percent for rice and 16 percent for cotton.

Voluntary acreage reduction programs, along with commodity certificates, have effectively reduced excessive carryover stocks which depress prices. Ending stock/use ratios for major commodities are now well below 1985 levels, and wheat, rice, and soybeans are below the 10-year average ending in 1985. We believe such programs, if triggered by rising stock levels, can avoid a buildup of carryover stocks such as we have just experienced.

These programs and others, such as the Conservation Reserve Program, have proven their worth and should be remembered when the 1990 act is drafted. However, adjustments in some other areas will be needed in the 1990 farm bill.

Planting flexibility should be addressed. The desire to protect base acreages for one commodity under the present program has prevented some farmers from responding to market signals to produce more of another commodity. This situation needs to be resolved so that farmers will have the flexibility to respond to market demands. However, care should be exercised so that nonprogram commodities and livestock will not suffer at the benefit of program commodities.

Farm Bureau is concerned about the impact of possible budget cuts in the farm program area. The recovery of the agricultural economy remains fragile and should be taken into account. Agricultural programs were very costly during the first years of the 1985 bill, but in recent years, ag spending has been the fastest declining budget function. Consideration should be given to this fact and drastic reductions, which would damage agricultural programs, should be avoided.

In the area of trade policy, Farm Bureau supports the U.S. position of eliminating trade distorting subsidies under the GATT. However, we are not very optimistic about the prospects for a meaningful agreement in light of the European Community's refusal to make fundamental changes in its farm and trade policy. We believe Congress should proceed with the development of a long-term omnibus farm bill. The development of this bill should not be delayed in order to make our policy consistent with a potential trade agreement. If an agreement is reached in Geneva, Congress can still act to approve or reject that agreement.

In the area of specific commodities, Farm Bureau supports the cotton and rice programs under the 1985 farm bill. We believe the key element of these programs, the marketing loan, has been effective in restoring the U.S. share of world trade for these commodities. We believe that competitive pricing of our products is a fundamentally sound and desirable goal in farm policy which should remain as the most important aspect of agricultural policy objectives under the current and future farm bills.

Recently we have experienced certain problems with the marketing loan, particularly for cotton, which requires attention. The basic problem has been that the management of the cotton marketing loan program failed to provide producers incentive to market cotton rather than to keep it in storage in hopes of realizing a higher return at a later date. This lack of incentive created an artificially tight supply which diminished our ability to compete. We believe that actions to correct this problem are in the Federal rulemaking process and center around making adjustments to the calculation of the adjusted world price and in changes to the provisions pertaining to interest and carrying charges for cotton under loan.

The case of soybeans is probably the most dramatic example of the manner in which program base in flexibility can impair our ability to produce for market demand and assure competitiveness of U.S. commodities. Over the last several years, the United States has decreased soybean acreage largely because producers were unwilling to suffer a loss in program crop base or income protection provided by the target price program. The result has been that we have suffered a steady loss in market share in world soybean trade, and several foreign countries have matched our acreage declines with increases in their production.

The solution that has been applied to this situation under the Disaster Assistance Act of 1988 allowed producers to shift between 10 and 25 percent of their permitted program crop acreage to production of soybeans or sunflowers. This has resulted in approximately 3 million additional acres of soybeans being grown in the United States this year. This program may be implemented for the 1990 crop-year at the discretion of the Secretary. However, this additional flexibility is seen as detrimental to soybean producers with few or no alternatives or program crop base.

The method of dealing with the deficiency in oilseed production should be addressed as part of the greater flexibility problem in the 1990 farm bill. Farm Bureau believes that the method of resolving this dilemma should not include providing acreage controls, marketing quotas, or the establishment of a soybean reserve program.

With respect to the environmental and conservation provisions included in the farm bill, it is important that we carefully consider the impact of our actions. We must preserve our natural resources for future generations, but we must also preserve the ability to use those resources in an effective manner if we are to participate in highly competitive world markets. The parameters defining our impact on our environment are constantly being challenged and change almost daily. It is imperative that conservation provisions of the long-term farm bill be scientifically sound. We believe that well-intentioned objectives may inadvertently impose unacceptable requirements on production agriculture. We must guard against provisions that may require excessive regulatory oversight of farming practices and impose unrealistic and inflexible standards of performance.

As a family farmer, it is my desire to be a good steward of the soil. I want my children to inherit a farm that is not only productive, but one that is better because of my efforts. It is also my desire that they be able to continue farming the land. To do so, our generation must avoid programs that adversely impact the ability to use sound and responsible agricultural practices.

The 1990 farm bill should continue the Conservation Reserve Program. The CRP has been effective in reducing erosion of highly erodible soils and should be continued. As an organization, Farm Bureau supports efforts to encourage participation in the program but does not believe it wise to go beyond the stated goal of 45 million acres.

In addition, economic analysis has shown that the CRP has helped reduce surplus production and improved commodity prices. While this was not the goal of the program, it is obviously a side benefit.

Two changes in the conservation title of the 1985 farm bill which require alteration are the "nuisance spot" provisions of swampbuster and the "drop dead provisions."

Farm Bureau believes the USDA interpretation of swampbuster language goes beyond the original intent of Congress. Farmers are now prevented from cleaning up nuisance spots in their fields. These are small areas that are wet in the spring for a week or two longer than the rest of the field. Farmers normally plant around these areas and then come back later to plant the nuisance spot. Because this land has the potential to support water-loving plants, it is being called a wetland and farmers are not allowed to improve its drainage, despite the fact that they have always farmed it. We support a change in law to provide that so-called nuisance spots not be subject to swampbuster.

The other major problem now faced by farmers with regard to sodbuster and swampbuster is that the current law does not distinguish between a major and minor violation of the law. Any infraction, even a minor accident of plowing up one-half acre of highly erodible land, results in the loss of all Federal farm program benefits. We believe the penalty should be more commensurate with the infraction.

I would also like to express support for an additional provision in the conservation title of the new farm bill. Conservation of ground water in Arkansas has become a major issue as our watertable continues to decline in major agricultural areas. Our State legislature has approved a plan that will allow, for the first time, the interbasin transfer of surface water for agricultural and other purposes, thereby reducing the need for ground water. For this plan to work, surface water must be impounded during winter months in order to be available during the growing season. Many producers will have to convert productive farmland to reservoirs in order to access the new water source. This will reduce the acreage available for farming and decrease farm income, thereby creating a hardship. Congress can assist these producers with little or no cost to the program by allowing productive land that is converted to reservoirs to qualify as set-aside acreage. This would not change the base acreage of the farm but would simply allow the reservoir acreage to count whenever set-aside provisions are in force. I believe Senator Pryor is already looking at this proposal and could further explain the issue.

Mr. Chairman and members of the committee, again I appreciate the opportunity afforded by the committee to address farm program issues. Farm Bureau wishes to work closely with the committee in developing the 1990 farm program. We will be in contact with Senator Pryor's office as specific proposals are developed and look forward to the successful resolution of the problems facing our industry.

PREPARED STATEMENT OF V.O. (BUTCH) CALHOUN, JR., RICE AND SOYBEAN FARMER, AMERICAN AGRICULTURE MOVEMENT, DES ARC, AR

I want to thank Chairman Leahy and members of the Senate Agriculture Committee for the opportunity to appear here today to present my views concerning the 1990 farm bill. My name is V.O. Calhoun and I'm a rice and soybean farmer from Des Arc, Arkansas.

I believe very strongly in the importance of maintaining the family farm system of agriculture in this country. We need a program which will return profitability to the hundreds of thousands of hard working family farmers that comprise the backbone of American agriculture.

In the simplest terms, farmers must receive a fair price from the marketplace for the commodities they produce. Commodities should be priced on the USDA parity index to assure that farmers receive a fair return on the labor and capital they invest in their farming operations. When farmers are paid a fair price, they can protect the land and natural resources by engaging in sound environmental farming practicing, and still provide a decent standard of living for their families.

WHEAT, SOYBEANS AND FEED GRAINS

The first ingredient of a successful farm program, and the keystone of the 1990 farm bill, needs to be higher prices for commodities. Congress has an excellent opportunity now, with post-drought prices remaining above CCC loan rates, to raise loan rates to assure that commodity prices do not once again fall below the cost of production.

The USDA parity index is the best reference for fair pricing levels. To reflect the improved efficiency of farming operations over the years. I would recommend that CCC loan rates be set at 70 percent of parity. This would assure that farmers are no longer left in the untenable position of having to sell crops for less than the cost of production.

SUPPLY MANAGEMENT

Another ingredient of any successful farm program is a system for managing the supply of commodities, to avoid years of price-busting overproduction. As we approach the 40 million acre target Congress has set for the Conservation Reserve Program, the size of the annual set-asides required to manage the supply of commodities will be smaller. Nonetheless, some control over the numbers of acres planted, and the numbers of bushels coming to the market, is absolutely necessary.

The 1990 farm bill should include provisions which allow some flexibility in planting decisions. Importantly, a farmer should be allowed to rotate crops without a loss of base. This would encourage traditional farming practices to replace nitrogen in the soil, and require less use of fertilizer. The current farm program does not permit crop rotation.

Too often in the past, the debate has been side-tracked over whether the system of supply management should or should not be mandatory. In reality, our current farm programs are mandatory for the vast majority of farmers; the economics of the marketplace have made it mandatory that farmers participate in the programs, and set-aside the required acreage.

The real issue is not whether the program should be mandatory, but how the supply should be managed in order to provide an adequate supply of food while avoiding large Government outlays for CCC storage and forfeitures.

RICE AND COTTON PROGRAMS

I would support a continuation of the current rice and cotton marketing loan programs. They have worked fairly well for producers.

Congress should consider one change in these programs which would be helpful to producers. The loan rate should be raised to the target price level. This would eliminate the payment limitation problem which many producers currently face.

DAIRY

Congress should make some changes in the current dairy program which benefits farmers in certain areas of the country at the expense of farmers in other areas. To create a fair and workable system, Congress should consolidate the current system of 44 Federal milk marketing orders into 1 national marketing order; should eliminate the annual 50 cent reduction in price based on Federal purchases; and should adopt a system of pricing based on parity pricing and supply management.

ENVIRONMENTAL CONSIDERATIONS

The new farm bill should include provisions to protect the ground water from contamination from farm chemicals, to encourage crop rotation, and to encourage less intensive farming.

One idea has special merit, and which has been proposed by the American Agriculture Movement, is the creation of a 3-year Soil Restoration Program (SRP) under which a farmer could enroll up to 30 percent of his eligible acres in a 3-year program, temporarily taking those acres out of production, without loss of base. The land would be seeded to a legume nitrogen-fixing cover crop, and the farmer would be paid an annual rental payment, similar to the CRP program. This would allow the land to be restored to a healthy state naturally, would assist the farmer who might want to make the switch to less intensive farming methods, and would establish a forage reserve available in times of drought.

We also must do more to protect our ground water from farm chemical contamination. Those of us who live in rural America depend on ground water for our drinking water, and it's absolutely necessary that we protect this most important of natural resources.

In most cases where it is determined that ground water contamination is occurring, the problem can be solved by better management practices. In those few situations where, because of sandy soil, sink holes, or other soil conditions, it may be necessary to remove some acreage from production to protect the community's drinking water, those acres should automatically qualify for enrollment in the CRP. In that manner we can meet our environmental needs and still treat the individual farmer fairly.

The environmentally threatening practice of farming fence row to fence row is the natural result of the policy of cheap grain contained in the 1985 farm bill. Farmers were economically forced to plant every available acre, and to maximize fertilizer and pesticide use, to try and recoup in volume what they had lost from lower prices. The single most important step which this committee can take to encourage sound environmental practices is to establish a fair price for commodities, and to implement a system of supply management.

COUNTRY OF ORIGIN LABELING

I would also urge this committee to include in the next farm bill a requirement that all imported agricultural commodities be labeled as to country of origin.

Producers in most other countries simply do not operate with the same restrictions on pesticide use as do our producers in the United States. Because less than 1 percent of the shipments of agricultural produce entering this country are inspected, there is currently no protection against the use of dangerous pesticides on imported produce. Results of those limited inspections clearly indicate that a high percentage of imported produce—especially much of the Mexican produce—does contain residue from pesticides banned in this country. To continue allowing this produce to be sold is unfair to our producers, and more importantly, unsafe for our consumers.

Clearly Congress needs to require a more extensive inspection and testing program for agricultural products entering this country. Food and Drug Administration inspectors on the Mexican border, for example, only work a 5-day week; the other 2 days, there is simply no inspection. Mexican producers and shippers line up for miles to bring their produce across the border on the 2 days when the inspectors are not there. This situation is intolerable and must be fixed.

To pay for the cost of more extensive inspections, the United States could charge a user fee on those producers who import produce. Farmers in this country pay user fees for various governmental services, and importers could do the same.

In addition to the improved inspection procedures, Congress needs to require that consumers be provided the basic information concerning the country of origin to permit them to make an informed choice at the supermarket. I'm not suggesting that imported produce be banned; simply that it be labeled as to the country of origin. Then if a country develops a reputation for sending us unsafe food, the American consumers can decide whether or not they choose to buy products from that country.

COMMODITY CHECK-OFF PROGRAMS

There have been proposals from several national commodity groups for commodity check-off programs covering the producers. I would urge the committee to support these check-offs, provided they include the following three items:

1. The program must be subject to an affirmative vote of a majority of the producers before it becomes effective;
2. The program must provide a simple provision for a provision for producers to receive a refund, upon request; and
3. The program should apply to all points of sale of the commodity in its raw, unprocessed condition, including grain traders and commodity speculators, as well as producers.

SIMPLIFY PROCEDURES

Congress should include provisions in the 1990 farm bill to simplify the procedures and paperwork required of farmers to participate in the farm programs. Producers should not have to hire a lawyer and an accountant to go to the ASCS office. Today a producer is forced to spend an enormous amount of time and too much money dealing with the USDA regulations, recordkeeping, and procedures. Surely there must be a way for Congress to simplify this paperwork so a farmer can spend his time farming instead of dealing with the Government.

SUMMARY

As this committee begins the process of formulating the 1990 farm bill, the primary goal should be to develop a farm program which continues to provide a bountiful, safe and affordable supply of food for our citizens, and for much of the rest of the world, while allowing family farmers to earn a decent living. These goals can both be achieved.

The cheap commodity philosophy which was the centerpiece of the 1985 farm bill has been a disaster. We've lost tens of thousands of family farmers because of low prices, while spending billions of taxpayer dollars subsidizing the international grain companies. Congress has the opportunity now to change course, and return family farm agriculture to a profitable state. We urge this committee to shape the next farm bill with the welfare of American farmers and consumers in mind.

PREPARED STATEMENT OF JAMES PAT SULLIVAN, CHAIRMAN, ARKANSAS WHEAT PROMOTION BOARD, BURDETTE, AR

The benefits of crop rotation have been known by farmers and agronomists for many years and have been proven by research conducted on agricultural experiment stations. This is especially true of specific crops grown in Arkansas, namely,wheat, rice, cotton, milo or grain sorghum and soybeans.

An example of an ideal rotation for rice would be 1-year rice and rotate the following 2 years to soybeans. Both crops complement each other and both crops are able to take real advantage of irrigation wells.

Wheat as well as rice, when grown in a continuous monoculture of several years, has a disease buildup of many insects, weeds, fungus and bacterial diseases which reduce yields and require the use of fungicides, insecticides and herbicides which are expensive and sometimes provide only partial control. Also the environment is exposed to a higher concentration of these products which is continually opening up agriculture for criticism from our urban neighbors. Rotation is a much more sensible approach to keeping some of these problems under control.

The 1985 farm bill was basically a good piece of legislation and has been popular with many fellow farmers in Arkansas. However, this legislation did not address the problem of a need for crop rotation out of a program crop and provide a means for the protection of a farm base. Most farmers are required by the landowners to plant the necessary acreages of program bases necessary to "protect" the base for future benefits. This farm base is very valuable to the farm and adds benefits by making farms with large bases very much in demand both to rent and also to purchase.

It is with this in mind that we request your committee to pursue an avenue which will allow a farmer to rotate out of a program crop for a minimum of 1 or 2 years, or more, by either certifying "zero base" acres, that is not planting a certain portion by rotating to another crop, such as soybeans, which is a non-program crop or another program crop. It is very important to note that rotating out by idling or set-aside or cover crop acres is not economically feasible for Arkansas farmers because landowners or owners require a crop to be produced each year on each acre unless set-aside is necessary to receive deficiency payments on program crops. Also, idle lands are almost as expensive to produce as lands growing crops because in Arkansas with our rainfall, temperature and fertility, weeds and unwanted vegetation have to be controlled by mechanical cultivation. In fact, most farmers agree that it is more difficult to keep idle acres free of weeds on set-aside acreage than on a growing crop

NAWG (NATIONAL ASSOCIATION OF WHEAT GROWERS) ASKS FOR WHEAT QUALITY FUNDING AND RUSSIAN WHEAT APHID RESEARCH

Wheat regional quality laboratories operated by USDA are now located in the States of Washington, Kansas, North Dakota and Ohio. These laboratories are all working on quality concerns of Hard Red and Soft White wheat except the one in Ohio. The Midsouth region does not have a similar facility.

Our wheat acreage in the Midsouth region has continued to expand and is "outgrowing" other areas. The type of wheat we are growing in this region is Soft Red wheat which is used by cookie, cracker, cake flour manufacturers and a considerable quantity is exported to countries like China and Sri Lanka for noodle manufacturing.

HISTORY OF WHEAT IN THE REGION

ACREAGE (SEE TABLE 1)

Wheat has become a recognized crop in the Midsouth during the past 25 years. Prior to the 1950's, wheat acreage in the region was very minor (approximately 200,000 acres). With the advent of improved varieties, such as Knox, farmers were able to obtain much higher yields and planted as much wheat as allowed by the crop programs. 1963 was a key year for wheat production because wheat farmers voted out the acreage limitations imposed by the Government.

The mid-1960's saw tremendous growth in wheat acreage in this region as farmers adopted new varieties and began to fertilize the crop. Wheat acreage doubled in the early 1980's due to the high wheat prices and dismal cotton years. Acreage dropped down to approximately 3.5 million acres during the previous 3 years as a result of poor planting conditions, low wheat prices, and acreage limitations by ASCS farm programs.

Future acreage is difficult to predict as it depends on weather, prices, farm policy, and competitiveness with other crops grown in the region. Because wheat fits well into double-cropping and provides a cool season crop (assisting with cash-flow and efficient utilization of labor and equipment), farmers in the Midsouth will probably continue to consider it as an important crop. Until technology develops which will allow consistent yields of 100 to 150 bushels per acre, wheat will not likely become the major crop in this region. Thus, one can anticipate the Midsouth wheat acreage to fluctuate between 2.5 million and 8 million acres and average about 4 million acres based on production during the past 21 years.

TABLE 1.—ACREAGE PLANTED TO WHEAT IN THE MIDSOUTH

State	Acres (in 1,000's) planted average over periods—								
	1988	1987–85	1984–82	1981–79	1978–76	1975–73	1972–70	1969–67	1963–52
Arkansas	1,100	822	1,733	1,077	645	412	382	580	145
Missouri	1,650	1,150	2,250	2,393	1,530	1,345	1,036	[1] 1,312	
Kentucky	550	457	800	547	400	384	[1] 271	[1] 293	
Tennessee	530	403	895	598	363	351	293	309	
Mississippi	550	343	920	370	184	202	200	403	
Louisiana	300	243	457	149	58	70	95	137	
Alabama	270	363	960	337	180	177	[1] 163	[1] 143	
Total Midsouth	4,950	3,781	8,015	5,471	3,360	2,941	2,440	3,177	[2] 774

[1] Average was based on 2 years—one date point missing.

[2] Total was estimated using Arkansas value (AR + 19 percent).

Wheat farmers in the Midsouth are in need of a wheat quality laboratory similar to those mentioned earlier to address concerns of the quality of Soft Red wheat. Specifically, Arkansas farmers would request that you, Senator Pryor, and members of this committee, request a review and detailed study of locating a regional laboratory in Arkansas. Arkansas Soft wheat farmers have the distinction of being the first Soft wheat State to vote a one-half cent per bushel checkoff program, which provides over $200,000 paid by wheat farmers for research and promotion of wheat. As the ranking member of the Senate Agriculture Committee we hope you, Senator, can and will support this project in your future planning as relates to Arkansas agricultural needs. Such a laboratory could possibly be located in Stuttgart or Keiser/Jonesboro areas which would place it in close proximity to the largest wheat producing areas of Arkansas.

[Response from Pat Sullivan to Senator Heflin follows:]

Being able to shift or rotate crops—such as into soybeans will *increase soybean yields* greatly. One reason our State soybean yield is so low is that we have monocultured soybeans on the same land year after year.

The Midwest yields on soybeans have risen because they have been very religious about rotating corn and soybeans.

Soybean yields on blackland and other dark soils will go up and possibly overtake the Midwest yields with *rotation* and *irrigation.* Yields at NEREC, Northeastern Research Center, University of Arkansas, Keiser, Arkansas, in 1988, had yields of 70-80 bushels per acre on small plot research.

PREPARED STATEMENT OF JOHN NAILL, FARMER, BRINKLEY, AR

Mr. Chairman, my name is John Naill. I am a farmer who has long been interested in farm policy. I am also a long time borrower of the Farm Credit System who has been active in system affairs. I served as a member of the Federal Farm Credit Board for 6 years and chaired that board in 1982.

Mr. Chairman, I wish to take this opportunity to express appreciation for the legislation Congress passed last year that makes a big difference to many Arkansas farmers who are borrower-owners of production credit associations. I speak of legislation sponsored by Senators David Pryor and Dale Bumpers and supported by a broad, bipartisan coalition of Farm State Members. This legislation reforms the manner in which my association and other production credit associations throughout the Nation pay a one-time assessment of some $177 million under the Agricultural Credit Act of 1987. The purpose of the assessment was to ensure that healthy system institutions such as my PCA contribute to the recovery of weaker system institutions.

I don't quarrel with the assessment idea. On the contrary, I believe that a reasonable assessment of healthy system institutions is consistent with what the system has always been and should be. Farm Credit has always been a self-help organization for farmers.

As you all know, legislation does not always work the way it is intended. This must be the case when it comes to the assessment provision of the 1987 act. Certainly, our association and a number of other associations have paid an assessment in excess of what could be termed "reasonable." Take for example, the Delta Production Credit Association. I am not a member of the association but I am told that Delta, with a volume of only about $6 million had to pay a $2.5 million assessment under the original legislation. This amounted to no less than 72 percent of that association's permanent capital. I don't see how anyone could regard this as a "reasonable" or "fair" contribution.

Delta was not the only association badly hit by the original legislation. I am one of 7,000 Arkansas farmers who are borrower-owners of the Central Production Credit Association which paid an assessment of nearly $34 million. This is quite a significant amount of money for our association. I am told that, if you assume a loan rate of 11 percent, it would be necessary for our association to increase interest rates by nearly three-quarters of 1 percent to maintain the same level of earnings last year than it would have to earn without the assessment.

Clearly, then, there was a compelling need to adjust but not to repeal the assessment provision of the 1987 legislation. This was done by Congress thanks to the leadership shown by Senators David Pryor, Dale Bumpers and others. The Bumpers-Pryor legislation reformed the manner in which the assessment was made without sacrificing the self-help character of the legislation. As I understand it, Bumpers-Pryor simply provides that the assessment installments be based on the amount of money actually borrowed by the system not on the amount that could be borrowed. This relatively modest change in the assessment provision made a big difference to our association and other associations throughout the country.

Now, I am deeply troubled by the proposal of the Office of Management and Budget to repeal the Bumpers-Pryor assessment reform legislation. Indeed, I am told that your committee may be forced by OMB to choose between repealing Bumpers-Pryor or cutting the farm budget by an additional $425 million. But this is clearly no choice at all. Cuts mandated in agricultural programs already go beyond what is sound for the industry or the economy as a whole. Farmers will be hurt and ultimately the Nation's economy will suffer if any additional reductions are made in farm programs.

I ask the committee to reject the two unacceptable alternatives. Farmers have already borne their fair share of cuts under the budget process. Nor can we accept the repeal of Bumpers-Pryor. It makes no sense to force otherwise well run, well-managed associations into liquidation.

PRODUCERS RICE MILL, INC.,
Stuttgart, AR, April 25, 1989.

To: The Senate Committee on Agriculture, Nutrition, and Forestry.

Re: Field Hearing on the 1990 farm bill.

GENTLEMEN: Producers Rice Mill, Inc., a 3,500 member farmer/owned cooperative, strongly recommends the marketing loan program and other provisions for rice within the 1985 farm bill be continued and included in the new 1990 farm bill.

Prior to implementation of the 1985 farm bill, the U.S. rice industry was in a state of dormancy. U.S. rice farmers were not growing their crop for the market, but instead to sell to CCC through the Government price support program. In 1986 CCC had accumulated a surplus of over 70 million hundredweights of rice.

The 1985 farm bill had three main objectives: support farmers income, regain traditional U.S. export markets lost in recent years and reduce surplus government stocks. The marketing loan program and other provisions for rice within the 1985 farm bill have accomplished all of these objectives.

Since April 15, 1986, when the new rice provisions were implemented, the U.S. rice industry has not been the same. Within 18 months the large CCC rice stocks were eliminated. During the first year farmer's prices were depressed due to the liquidation of CCC surplus stocks; however, since that time, rice prices have strengthened and today rice is traded well above Government price support values. The marketing loan provision has allowed the United States to regain its traditional share of the world rice trade and has sent a strong message to our competitors that the United States will not tolerate unfair trading practices.

The rice provisions of the 1985 farm bill have not only been good for the rice farmers, but also for the rural communities where rice is grown. In our company, we have increased our workforce by 41 percent since the implementation of the 1985 farm bill. Increases in the rice acreage planted have resulted in more economic activity for all agribusinesses who serve the rice farmer. The effects of this increased economic activity are multiplied many times throughout our rural communities.

In order to continue the growing success our rice farmers have enjoyed over the past few years, we feel it is imperative the marketing loan program for rice be included in the 1990 farm bill.

Sincerely,

PRODUCERS RICE MILL, INC.,
CHARLES E. HAMMANS,
Chairman, Board of Directors.
KEITH GLOVER,
President.

PREPARED STATEMENT OF AMERICAN AGRICULTURE MOVEMENT, INC.

AN AMERICAN AGRICULTURE MOVEMENT PROPOSAL FOR A MULTIYEAR, SOIL RESTORATION PROGRAM TO ENCOURAGE RESOURCE-CONSERVING CROP ROTATIONS, MARCH 1, 1989

GOALS: To provide an incentive to encourage the restoration of productive land through sound conservation practices; to reduce erosion; to encourage farmers to engage in low-input, sustainable agricultural practices; and to provide a strategic forage reserve.

PARAMETERS OF THE PROGRAM: Farmers would be permitted to enroll a portion of their base acreage (perhaps a maximum of 30 percent) for 3 years, without loss of base; farmers would be provided an annual rental payment, similar to CRP payments, for acreage enrolled in the program.

REQUIREMENTS: To protect the environment and allow the soil to regain naturally the nutrients necessary for a healthy return to production at the end of the 3-year period, the enrolled acreage would have to be planted in a vegetative cover crop. Highly erodible and environmentally sensitive land would be devoted to vegetative cover to provide soil protection, water quality enhancement, and wildlife habitat; all other lands would be devoted to a legume cover crop that is part of a resource-conserving crop rotation. The Federal Government should pay an appropriate share of the cost of providing a cover crop. Haying and grazing would be prohibited, except in areas of major disaster or in times of designated forage shortages.

DEFINITION: *Resource-conserving crop rotation*—any crop rotation system approved by the Soil Conservation Service which is designed to reduce erosion, fix nitrogen, and restore the soil to a healthy condition.

ADVANTAGES OVER CRP: All base acreage on the farm would be eligible, not limited to environmentally fragile land; no loss of base would result from enrolling land in the program; the contract to remove the land from production would be for 3 years, instead of 10 years; the farmer could rotate the acreage enrolled in this program, so that over several years all of his productive acreage could be retired for a 3-year restoration period, 30 percent at a time.

COSTS OF THE PROGRAM: The costs to the Government of providing rental payments should be substantially offset by the savings realized from lower deficiency payments on the reduced production; and from reduced CCC forfeitures.

IRS TAX CREDIT PROGRAM

DESIGNED TO HELP FARMERS WHO SURVIVED THE RECENT HOLOCAUST IN AGRICULTURE!!

(Comments by Steve B. Bernard, P.O. Box 828, Hughes, Arkansas)

The following is an outline of a "Tax Credit Program" for surviving farmers. The contents are attached hereto and presented to the Senate Committee on Agriculture, Nutrition, and Forestry on April 25, 1989, in Crittenden County, Arkansas.

WHAT IS THE PROGRAM?

This is an IRS tax credit program designed to help the farmers who barely escaped foreclosures during the recent unstable times in the farm sector. It allows the farmer (individual or corporate) to receive a tax credit equal to one-half (50 percent) of taxes due the IRS. The amount of the tax credit must be paid to the lender (PCA/FLBA/FmHA/SBA, etc.) before the current (tax year) Federal income taxes are paid. A copy of the canceled check and/or a receipt from the lender must be attached to the tax return indicating that the payment has been made and that the payment was for principal debt reduction. This payment shall be in addition to, and not in lieu of, the regularly scheduled amortization payment of principal and interest. Once the principal has been paid in full, it becomes the responsibility of the lender to notify the farmer by certified mail that the debt has been repaid, thus ending the period of allowable tax credits on that debt.

This legislation should not require a single additional person to administer. Therefore, the administrative cost should be nil. It will, also, allow the various lenders to repay the Federal Government a good portion of its infusion of money (if any).

The IRS also benefits: During the recent shake-out in agriculture, almost no farmers were paying Federal income tax. Under this program, they must be paying taxes to qualify; and the credit cannot exceed 50 percent (one-half) of the taxes due.

I. WHO IS ELIGIBLE?

1. The farmer who remains in the farming business.
2. The farmer who has a carryover/restructured/reamortized debt payable to Farm Credit Services (PCA/FLBA), FmHA, SBA, or other farm lenders (commercial banks, life companies, etc.). This debt cannot be the current year's operating loan; it must be a debt that was delinquent and was later restructured/reamortized to allow payment over an extended period of time.
3. The farmer who qualifies must be operating in a profitable manner and must be paying Federal income tax to be eligible for the tax credit.

II. WHAT IS THE TIME ELEMENT?

This program would include only those restructured/reamortized loans that became delinquent and whose terms were changed between January 1, 1986, and March 31, 1990.

III. WHAT IS THE SCOPE?

We have no way of knowing the exact scope of this proposal. This will vary from State to State. However, it has been widely estimated that only about 15 percent of the original loans qualified for restructuring/reamortization.

WHO IS HELPED?

1. The farmer who tried extra hard to pay his/her obligations and remain in the farming business.
2. The Farm Credit System/FmHA/SBA, etc.—even though these lenders have reamortized and/or restructured some of the farmers' debts, chances are high that they will never collect all of the moneys owed them. Reason: The debts have to be paid with *after-tax dollars.*
3. The U.S. Government/IRS would benefit greatly because the farmer must be paying Federal income tax to be eligible. Also, it greatly increases the chance of the Government-backed lender being repaid.
4. This method (IRS credit) of helping the farmers repay their obligations will add stability not only to the individual farmer, but to the lenders, as well as to the small towns/villages/farm suppliers and the family farm system.

WHEAT GROWER SURVEY RESULTS ARE TABULATED

Oklahoma wheat producer response to the January survey published in Wheat News was mixed, but in general, the majority of those who responded followed the lines of the same survey taken by the Nebraska Wheat Growers Association and Wheat Commission. The following are percentage responses to the 12 questions. The OWGA survey, which depended on producers filling out and mailing in the form, does not give a scientific representation of how Oklahoma producers feel concerning farm policy issues.

1. Are you for or against the decoupling concept for farm policy? 29 percent were for, 71 percent opposed decoupling.

2. Are you for or against the lowering of price supports for wheat? 13 percent were for, 87 percent were against lowering price supports.

3. The market price is supported by the ASCS loan rate. Do you want that price support loan to be set below, at, or above $4.00 per bushel? 19 percent favored lower supports, 25 percent want supports set at $4.00 and 56 percent want supports above $4.00 per bushel.

4. Should U.S. Wheat producers work together through the farm program to balance wheat production and supply with the realistic demand of the marketplace? 87 percent said yes, 13 percent said no.

5. Do you support acreage reduction or set-aside programs as a means to manage wheat supply and increase wheat prices? 80 percent yes, 20 percent no.

6. Should the United States have "fence-row to fence-row" wheat production? 0 percent yes, 86 percent no, 14 percent didn't know.

7. Do you support a change in U.S. grain standards for wheat that requires U.S. wheat to be at least as clean as Canadian and Austrialian wheat that is sold in international trade? 63 percent yes, 14 percent no, 14 percent didn't know.

8. Do you believe that tighter grain standards, stricter grade requirements, and cleaner wheat will benefit you as a farmer? 71 percent yes, 29 percent no.

9. Do you believe that cleaner grain through tighter grain standards will make the U.S. more competitive in the world market and increase U.S. exports? 73 percent yes, 20 percent no, 7 percent didn't know.

10. Do you believe foreign countries should design their own internal farm policies without interference or pressure from the United States Government? 67 percent yes, 33 percent no.

11. Some groups talk about "free trade" or "free market." It is a textbook theory that means free competition and no Government interference or control of trade anywhere. Whether or not you support the theory, do you believe that free trade or a free market exists today where the international buying and selling of wheat is concerned? 100 percent no.

12. Do you believe that U.S. farmers should work together with the farmers of other countries to persuade our governments to support the market price of wheat up to at least $4.00 or $5.00 per bushel? 67 percent yes, 20 percent no, 13 percent didn't know.

There were a number of interesting observations attached to many of the responses that will be developed into another article next month. For example, one Enid writer felt that the survey itself was leading and strongly biased. He didn't like that it was even produced in Wheat News. Don Schieber of Kildare, immediate past president of OWGA, feels that farmers will suffer if we get too strung out in grain quality issues—foreign buyers can already purchase whatever quality of grain they are willing to pay for, he claims, and the farmer invariably pays when grading, standards, etc., are tightened.

Stan McKinley of Hooker sent quite a bunch of support material that tends to endorse majority conclusions of the survey. David Richardson argues that the wheat producer should take more direct command of his industry and back government out of the wheat business. Lyman Knapp of Blackwell, with tongue-in-cheek, suggested that "we" investigate the Chicago Board of Trade.

The Wheat News staff would like to see more written responses addressing any of the survey questions or the survey in its entirety. Guest editorials are always welcome.

PREPARED STATEMENT OF LON MANN, COTTON GINNER AND FARMER, MARIANNA, AR

Mr. Chairman, and distinguished members of the panel, my name is Lon Mann. I am a cotton ginner and farmer from Marianna, Arkansas. I am a past president of the National Cotton Council and currently serve as an adviser to the Council's Board of Directors.

I join with other witnesses in expressing appreciation to you and your associates on the Senate Agriculture Committee for arranging these field hearings. I think it is important for you to hear from the folks back home in the farming communities when new farm legislation is under consideration.

Mr. Chairman, from my perspective the cotton title of the Food Security Act of 1985 gets high marks and I would urge the Congress to maintain its major provisions in new farm legislation.

The marketing loan, properly administered, has the potential for making U.S. cotton consistently competitive in the global market. It worked exceptionally well from the time of implementation until early 1988 when our world price discovery mechanism began to run off course. But a number of administrative adjustments have already been made to help correct the problem and Secretary Yeutter, in response to a cotton industry recommendation, has announced his intention to make some additional adjustments. I believe these additional changes will restore U.S. cotton's price competitiveness, in which case *we should see a number of very positive developments in U.S. cotton's competitive situation*, including:

- U.S. cotton regaining its fair share of world trade;
- Carryover stocks declining to acceptable levels;
- Foreign acreage being curbed;
- More U.S. cotton land in production and out of set-aside programs;
- Farm income improving, along with the income in the cotton processing, handling and manufacturing sectors; and
- Cotton program costs declining to manageable levels.

Mr. Chairman, the cotton ginning industry (and for that matter, the other processing and handling segments) and farmers depend on *volume* for survival. We suffer irreparable harm when the United States is forced to be the supply adjuster for the world. Years like 1983, when U.S. cotton ginnings were only 7.5 million bales, and 1986, when ginnings totaled just 9.4 million bales, simply bankrupt a lot of cotton processing and handling businesses.

We need a cotton program that forces the rest of the world to join with us in balancing supply and demand. *The leverage for imposing that kind of discipline on the foreign world is a strong, aggressive, market oriented farm program.*

The Food Security Act of 1985 envisioned that kind of aggressive production and marketing program for cotton. *We need to complete the fine tuning of cotton's marketing loan* and *put it*, or *something very much like it, in new farm legislation* and *demonstrate* to the *rest of the world* that we *intend to be strong competitors on a consistent basis.*

Thank you for the opportunity to share these observations.

PREPARATION FOR THE 1990 FARM BILL

Commodity Programs and Conservation Issues

TUESDAY, APRIL 25, 1989

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Platte City, MO.

The committee met, pursuant to notice, at 2:30 p.m., at the Platte City Vocational Technical Center, Platte City, Missouri, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Fowler, and Bond.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. Good afternoon. We will call the Committee on Agriculture, Nutrition, and Forestry to order. I want to thank the Vo-Tech Center for making this facility available. Before we start, I would note that this is an official and regularly scheduled hearing of the Committee on Agriculture, Nutrition, and Forestry.

The testimony received here, of course, gets the same weight, and is made part of the official national record; the same as though you had come to Washington to give the testimony. We follow the same rules.

I would strongly suggest in giving your testimony, that not only in the interests of time, but also in its effect, you may well want to summarize your prepared testimony and hit one or two points. If you have prepared written testimony it will be placed in the record. You might ask yourself, with that testimony—keeping in mind we have had hearings in Alabama, Mississippi, Arkansas, and now here in Platte City so far this week—to hit just one or two points that you would like each of the Senators here to remember, that may well be the best thing to do.

So, please summarize your statement. Hit the one or two points that, when I get back on that plane to go back to Washington, it will stick in my mind.

I want to thank my good friend Kit Bond for inviting us here. We started these hearings last week when the Secretary of Agriculture, Clayton Yeutter, came to testify before the U.S. Senate in the traditional opening of the farm bill hearings.

I had stated, as I did 2 years ago when I became chairman of the Senate Agriculture Committee, that I would hold hearings outside of Washington on major legislation. We did so with the drought bill. As a result, in 6 weeks time, we had a drought bill that most people said would take 6 to 10 months to get through. We got the Farm Credit System reorganized, that had been stalled for 10 years. We did it in a year; in a large part because we went out and heard the people who normally do not get to be heard in Washington, people like yourselves.

And so when I announced that I wanted to do this with the farm bill, Senator Bond told me that he would like me to come to Missouri. Senator Bond is a valued and valuable member of the Senate Agriculture Committee. His experience both as Governor and as a U.S. Senator gives him a very strong voice in the councils on setting up farm policy. I was delighted to accept his invitation. It was very generous of him and his staff to set aside the time. But, I also thought it would give us a better opportunity, Kit, to know of the special problems here.

We are joined this afternoon by another member of both the Agriculture Committee and the Appropriations Committee, the Senator from Georgia, Wyche Fowler. Senator Fowler, a person who, because of his experience in the House of Representatives and now as a key Member of the Senate, is a voice that must be heard in the drafting of the new farm bill. Wyche has taken time from his own very busy schedule in Georgia during the Senate recess to come here to Missouri to also listen to you.

I feel that it is essential that we have a good farm bill. I feel that it is essential that we have one that allows farmers, producers, and ranchers, to produce for the market, not just for the program; to be looking at where the market may pay and not just what comes in the mailbox.

I also feel, because we are in international negotiations in GATT, that I am not about to write a farm bill that unilaterally disarms American agriculture in the hopes that maybe the Europeans a few years later may do the same. We are going to write a tough farm bill, an export-oriented farm bill. Then we will see where the negotiations go. I am not one that is willing to just trust that things may work out, if we first give away the store here. We are not about to do that.

Senator Bond, I am delighted to be here with you; and I thank you for your invitation. I yield to you, sir.

STATEMENT OF HON. CHRISTOPHER S. "KIT" BOND, A U.S. SENATOR FROM MISSOURI

Senator BOND. Thank you, Mr. Chairman; and I would like to express a very warm Missouri welcome to Senator Pat Leahy, our distinguished chairman of the Senate Agriculture Committee, and to his lovely wife, Marcelle, who is along with us today; and my good friend, Senator Wyche Fowler, of Georgia.

Mr. Chairman, as we were discussing coming in, I prayed for rain doubly hard today; number one, we need the rain. Number two, I figured it would bring some of the farmers in who might be planting corn; and on top of that, turkey season just opened yesterday; so these are truly committed people who are here today. I know that we can expect some very interesting comments. I know many of these people, both at the table and out in the audience;

while you may think of Missouri as the Show-Me State, you will find that they are quite willing to share good ideas.

I have had many good ideas shared with me in informal hearings I have had around the State; everything from planting for the market rather than the mailbox, as you mentioned, to specific concerns over the conservation title.

I want to say a special thanks to the staff of the Senate Agriculture Committee, and to the personal staffs of the Senators who are along. These are people who are going to be doing a lot of work on the bill. The comments made this afternoon, whether you submit them in writing or give them to us orally, will be taken back with us to Washington and will be carefully considered. We expect to get some very helpful guidance from today's hearing.

To begin, I was going to call on our Director of Agriculture; but I thought I might see if Senator Fowler—do you have some comments you want to make first?

STATEMENT OF HON. WYCHE FOWLER, JR., A U.S. SENATOR FROM GEORGIA

Senator FOWLER. Well, let me just thank you, Senator Bond; and tell all these good Missourians, as our Chairman Leahy said, as you can imagine, as we examine the best farmers in the world and hopefully the best agricultural system, we get invitations, we the committee and certainly the chairman, from all 50 States. But we sort of like your Senator, even though we are Democrats. Senator Leahy has been in the Senate for 15 years; I have been in the Congress for 13. And we like to have former Governors who have had experience balancing budgets and making tough decisions on behalf of his State. And your former Governor and fine representative has certainly done that.

So we decided we would accept his invitation to be with you today. Besides that, he promised to take me to Royals Stadium tonight. I am a well-known Yankee-hater, so I am going to be out there.

The CHAIRMAN. The team. The team. You are referring to the team, Wyche.

Senator FOWLER. I am going to be out there for the return of Bye-bye Balboni tonight; after you tell us how to do the best job we can on American agricultural policy.

Thank you, Mr. Chairman.

Senator BOND. Thank you, Wyche. I assure you, if Bo Jackson continues on the streak that he has been on, it will make your trip well worthwhile. But the Royals are always exciting; and they are just one of many diverse resources that Missouri has.

Senator FOWLER. OK, that is enough of that. [Laughter.]

The CHAIRMAN. These guys are getting the better part of the deal. I have to go back to Washington tonight. They get to stay here for the game. [Laughter.]

Senator BOND. I was going to thank Wyche; because I told everybody I had to work hard tonight. So that really blows that cover. [Laughter.]

But Missouri does have great diversity of agriculture. Ironically, our Director of Agriculture probably lives closer to the hearing we had in West Memphis, Arkansas, this morning than the hearing tonight. But he is a man who has served all of Missouri agriculture very well; and if you would permit, Mr. Chairman, I would like to call on him for a brief overview of some of the facts about Missouri agriculture.

Charlie.

STATEMENT OF CHARLES E. KRUSE, DIRECTOR OF AGRICULTURE, MISSOURI DEPARTMENT OF AGRICULTURE, JEFFERSON CITY, MO

Mr. **Kruse**. Thank you very much, Senator Bond. It is nice to have you home; and it is a pleasure to welcome to Missouri Senator Leahy, the chairman of the Senate Agriculture Committee, and Senator Fowler, a member of the Senate Agriculture Committee; we are very pleased to have you in our State.

Senator Leahy, I am grateful for this opportunity to discuss Missouri agriculture with you and with the members of your committee, and to do so in the presence of our Senator, Kit Bond.

SENATOR BOND TIRELESS PERFORMER

We Missourians are proud of Senator Bond and the job he is doing in Washington. He is proving to be a tireless performer in addressing agricultural issues that are important to all of us. Agriculture, of course, is Missouri's most basic industry; and Senator Bond is working to make certain that Missouri agriculture remains an industry instead of becoming only a part-time trade or weekend hobby.

1988 WAS A TOUGH YEAR

As we all know, 1988 was a tough year for many Missouri crop farmers and livestock ranchers; and unfortunately, the vivid reminder of last summer's drought remains intact as the promise of spring rain goes unfulfilled in the northern portions of our State, where we are today.

DECISIONS ABOUT WHAT TO PLANT

Daily, as the situation worsens, many northern Missouri farmers are faced with making decisions about what to plant, when to plant or whether to plant at all. The crop and livestock production from Missouri's northern farms is vital to the overall success of the State's agriculture.

As diverse as we are agriculturally, we can hardly afford another year of severely reduced yields of corn, soybeans, grain sorghum, hay and other crops. Missouri farmers are looking to 1989 with guarded optimism. If we get adequate moisture, everything else is in place for a good year.

MISSOURI AGRICULTURE IS DIVERSE

I used the word, "diverse," a moment ago; because it is the one word that summarizes Missouri agriculture. Missouri ranks in the top 10 States in almost every category of agricultural production. We are second in cattle and hog operations; we are fourth in grain sorghum production; fifth in soybeans and wheat; sixth in rice and turkeys; seventh in corn and hay; and as Senator Leahy mentioned coming in on the bus, Missouri grows tobacco and also cotton, down in the Bootheel.

This State has a wonderful collection of small, medium and large farms with distinct characteristics and varied production. These farms, more than 100,000 of them, are found throughout the State in areas where production is just as diverse as the individuals who work this land. And it is those individuals, Missouri's men and women farmers that we will discuss today. They are the very people you will hear about and from as you hold these meetings throughout the Nation.

NEW LEGISLATION—IMPORTANT TO MANY MISSOURI FARMERS

The 1990 farm bill will undoubtedly be important to many Missouri farmers because many of the components in the current legislation have benefited Missouri agriculture. In 1988, nearly 48,000 Missouri farms were enrolled in Federal crop programs. That figure includes more than 39,500 individual farmers.

Farmers participating in these programs will certainly have a keen interest in the next piece of legislation. The interest in the 1990 farm bill is not limited to producers idling land or reducing their acres planted. All of agriculture will closely watch for language ranging from exports to animal health and conservation to grain quality.

Missouri farmers, like farmers in all other States, want to produce for legitimate markets. And the more we can do to open the doors to these markets, the better off everyone will be.

ORDERLY MANAGEMENT OF ADMINISTRATION OF FEDERAL FARM PROGRAMS IS IMPORTANT

Also important in all of this is the orderly management of administration of Federal farm programs. Many Missouri farmers quite frankly would be lost were it not for the expert handling of programs administered by the State ASCS.

Missouri last year was the first State to receive disaster declarations due to the drought last summer. This is a real tribute to the excellent working relationship between the Missouri Department of Agriculture and the ASCS in Missouri under the direction of Morris Westfall.

EXCELLENT WORKING RELATIONSHIP WITH CONGRESSIONAL DELEGATION

As a result of the excellent working relationship we have with Senator Bond and the other Members of Missouri's congressional delegation, we have been able to call on them for assistance and address any situation from both the State and Federal perspective.

EXAMPLE OF ASSISTANCE

One example of this assistance is the approval where we received, just yesterday, from the Federal Grain Inspection Service, to perform rice inspections here in the State of Missouri. Missouri will be only the second State to provide this service. And it was thanks to Senator Bond and Senator Danforth and Congressman Emerson that we got this rice inspection designation.

RURAL DEVELOPMENT

Rural development in Missouri is directly tied to agriculture. In fact, a strong viable agriculture is rural development in Missouri. One out of every five jobs in Missouri is related to agriculture and agribusiness which generates $13 to $15 billion annually to Missouri's economy.

We are very proud of our strong agricultural organizations in the State of Missouri. The Farm Bureau, MFA and Missouri Ag Industries, as well as 40-plus commodity organizations and others that represent various sectors of agriculture in Missouri. These groups have been the key to many of the successes Missouri agriculture has achieved, such as class A status for brucellosis and tuberculosis free status in cattle.

FUTURE STEWARDS

Finally, allow me just a moment to talk about the special young men and women who are waiting in the wings watching and measuring our performance. They are the future stewards of American agriculture. And what is begun today may shape whether they choose agriculture as their livelihoods.

When I made my choice to become a farmer, many things were simpler than they are today. But my farming decisions were no less complex than they are today or than they will be tomorrow.

I hope the importance of agriculture is never lost. And your willingness, Mr. Chairman, and members of the committee, to hold this meeting and to listen to Missouri farmers indicates that agriculture does matter, and will continue to matter as we prepare to move into the 1990's and beyond.

Thank you very much for being here.

The CHAIRMAN. Thank you.

I appreciate that comment. I also appreciate the chance we had to chat on the way in because, coming from a State like mine where we really have basically one kind of agriculture, some diversity in the remaining 5 or 10 percent of our agricultural base, it was interesting that you gave me almost a road map up and down Missouri explaining what was there.

Kit, do you want to add anything to what the Director said, or do you want to go ahead and——

Senator BOND. No, sir. If you do not mind, I think we probably ought to get to the folks on the other side of the microphones.

Gentlemen, as Chairman Leahy said, we will take the written testimony. That will be studied and poured over. We have a little lighting system that we use in Washington that lights up green and gives you encouragement to start. After 5 minutes, the light turns red. This is the signal to wind up, and we find that is very helpful, if you can, in your oral testimony, just summarize the highlights. We will consider your whole testimony, and will then have some time for questions.

So, Mr. Chairman, with your permission, let us start off with a man who represents some of the diversity in Missouri agriculture, Ed Nierman from Concordia, Missouri. He is a dairyman and has row crops.

So, Ed, let us hear from you, sir.

STATEMENT OF EDWARD NIERMAN, MID-AMERICA DAIRYMEN, INC., CONCORDIA, MO

Mr. Nierman. Thank you, Senator. Thank you, Mr. Chairman, and thank you for the opportunity to express some of my views on the feed and grain programs and dairy programs as they affect the 1990 farm bill.

DAIRY PRODUCTION—MISSOURI NO. 10

Mr. Chairman, we do milk cows in Missouri also. I do not know if Mr. Kruse mentioned it or not, but we are No. 10 in the Nation as far as dairy production.

I am a dairy farmer, milking about 125 cows with an equal number of young stock. We farm about 580 acres at Concordia, growing corn, soybeans, alfalfa, and wheat.

FEED GRAIN PROGRAM

Commenting on the feed grain program, I think the program has worked reasonably well in our area. The 1989 program for participation about equals 1988, 61 percent of the farms, and approximately 80 percent of the land was enrolled. Farmers appreciate not having drastic changes and not having to relearn the system.

PROGRAM ANNOUNCEMENTS AND DEADLINES

I think farmers appreciate program announcements and deadlines. They give plenty of lead time. This lead time becomes even more important now with the rotations dictated by our conservation plans. It is very important to have those out and give us lead time. It means that USDA must establish rules and compliances well ahead of planning because of the herbicide effect on the farming. Thus, the decision on the certain fields program entry results in a 2-, 3- or 4-year commitment based on the type of rotation. Thus, it becomes essential to have sufficient time to program rotation alternatives because more than 1 year is involved.

Some farm bill critics have fostered offering crop insurance as a way of replacing drought aid, and it is especially apropos right now. In my opinion, this is not an attractive alternative because the threshold of claim in my case is so low as to justify consideration of the current premium. For instance, based on my 98-bushel average yield established by the county, I will not receive a dime in claims above the 56-bushel per acre yield of corn. So this program is simply not attractive to me unless you have time to establish your own yields.

REGULATIONS TRIPLED

In talking to my County ASCS Director, I found that since the 1985 farm bill, the number of regulations has tripled. There are no less than 100 handbooks of instructions with a total of 16,000 pages of text explaining the rules and procedures. That is all fine and dandy, I guess. But, as you establish farm policy for 1990 and beyond, certainly provisions for easy farmer understanding, and then the ability to deliver by the local ASCS office must be paramount.

PRICE SUPPORT PROGRAMS

Taxpayers should support price support programs because their market, foreign country influences and, of course, weather instability. The cost of the price support program is a reasonable expense for the luxury of stability in the Nation's food supply.

I, like approximately 10,000 dairymen in 12 Midwestern States, am a member of the Mid-America Dairymen.

CROSSROADS FOR THE DAIRY INDUSTRY IN THE 1990'S

Mr. Chairman, the dairy industry in the 1990's will be an industry at the crossroads. The 1990's is the decade that theoretically takes us from the past into the mythical future of the 21st century.

Several key dairy policymakers have publicly suggested that that is what the 1990 farm bill debate is all about—how the dairy industry should position itself for the 21st century.

In reality, the debate on the dairy policy in the 1990's will be a continuum of the past. The super cow and the high technology are already here, and more will come before the turn of the century. While it would be wonderful to believe that policy enacted in the 1990's will be so enlightened and perfect that no future changes in it will be needed in the 21st century, that is not what history teaches us.

Therefore, we can make predictions about the dairy industry in the 1990's by examining the past and current dairy policies. We can plan for the future by accepting the lessons of the past.

The farmer/members of Mid-America Dairymen, through their cooperative, are prepared to provide the leadership to take the dairy industry into the 1990's and beyond.

You are well aware of the roller-coaster effect of the legislation of the eighties to stabilize supply and demand.

Currently, USDA purchases on the price support program, in the dairy price support program, USDA purchases of nonfat dry milk have been completely eliminated, and buying of cheese by the CCC has all but stopped. Market price is above support price, and a balance of volume seems at hand, yet, farmers are still fearing a price cut at the end of this year.

The reason is simple, but a technical one; yet, it will cost the dairy industry millions, and possibly knock the industry out of its fragile balance of volume. To explain this dilemma requires looking at how the USDA adds up purchases of dairy products.

The USDA triggers support price up or down, based on the CCC's purchase of dairy products in milk equivalent terms, only. Because the USDA's calculation is based on butterfat, any purchases of butter; add up to a price cut in a hurry.

This butterfat nearsightedness may cause the USDA to price cut the dairy industry, which for all intents and purposes is balanced on a solids nonfat basis, right back on to the unstable supply/demand roller-coaster of the past that you are well aware of. Clearly, this is an issue which must be closely examined in preparing for the omnibus farm legislation.

We all know that "budget" is the key word in all legislative considerations today.

[The prepared statement of Mr. Nierman appears at the conclusion of the hearing.]

The CHAIRMAN. What we want, Mr. Nierman, is to make sure that we have an omnibus farm bill and not an ominous one.

Mr. NIERMAN. Yes.

The CHAIRMAN. Just one question before we go on to the next person.

What price support would you want to see for dairy? What level? Yourself. What do you need for a blend price?

Mr. NIERMAN. Well, unfortunately, all of our—150,000 different dairy farmers, that answer will be different in every case.

In my case, we can make it with what we have now. This next 50 cents will be rough, particularly if a drought is effected and feed prices go out of this world.

Senator BOND. Thank you very much, Ed, and next, moving one chair over, my good friend from Sumner, Missouri, Harold Clark, who grows some wheat and probably a few other things.

We are glad to have you here. Let us hear your story.

STATEMENT OF HAROLD F. CLARK, SUMNER, MO

Mr. CLARK. Thank you.

WHEAT, CORN, AND SOYBEANS

The Food Security Act of 1985 is pretty much an extension of all the farm programs for the past 50 years. All farm programs have been controversial and, for the most part, failed to live up to your expectations.

DECOUPLING

I think there is a better way to subsidize agriculture. I favor the much discussed decoupling. Basically, this is a direct payment to the farmer with no production controls. This will allow the farmer to produce for the market and his conservation plan. This is not a new idea. It was last brought forward by the American Soybean Association late in the writing of the 1985 act. The ASA delegates liked the concept, but it had been brought up too hastily and with not enough thought. Surprisingly enough though, the direct payment aspect did not seem to have the stigma that it once did. Also, the no mandatory set-aside feature was accepted by most people. This indicates that our thinking and standards do change. During the Great Depression, when F.D.R. first wrote the farm bill as a temporary measure, he had to implement the WPA to be able to give the starving people money because they would not accept a direct payment. Contrast that with the conservation compliance provision of the Food Security Act of 1985, which states that if you do not comply, you are not eligible for any Government benefits.

Decoupling is a major policy change. How do you make the subsidy fair? When the subsidy to the farmer was made by subsidizing the commodity produced, this resulted in a political struggle between commodity groups. This was in no way fair to all farmers. If you do not use a commodity, but rather make a direct payment to the farmer, you need a common denominator to base this payment on. One school of thought is that you could use the established yields of the commodity as an index. This is a start in the right direction, however, these yields are usually established on the very best land and, in some instances, have been influenced by local politics. I think a better method would be to relate it to the land. The modern soil survey classifies all land into eight general and many in specific classifications and identifies them on a soil map—a map that all farmers will be familiar with as they have to use this to comply with the conservation compliance provisions of the 1985 act. This would be an unbiased and standard guide, understood by farmers and administrators any place in the United States. I view this as important.

Now, that there are no bases, quotas, allotments, or price supports to control what is produced, the farmer will grow the crop best suited to the soil and conservation plan and most profitable in the marketplace. This means that the Government will no longer own a supply of stocks and this will worry many of the policymakers. A supply is important. The farmer will maintain a supply because no matter how high the price, some farmers will not sell all and no matter how low the price, some farmers will sell some. However, for long-term supply management, certain conditions will have to be met. There are 13.6 billion bushels on farm storage and 9.6 billion bushels commercial storage available, but for the farmer to be able to utilize this on long term, he will have to have available a very low interest recourse loan that can be treated by the IRS in the same manner the CCC loans are now allowed. Without this option, long-term storage may compound his tax position to the point that he can no longer provide the supply. This would be a small cost to the Government and the supply could be controlled somewhat with the interest rates.

This is not a market distorting subsidy, and would put us on better ground when we ask other countries not to subsidize the commodities they produce. Another feature is that the cost of the program could be easily determined.

Major policy changes are difficult to bring about. The farmers in the heart of the Corn Belt, where a 400-acre corn base may use up the $50,000 limitation, may not be for change. Some wheat farmer may be comfortable, and about all of the more minor commodities seem to fare very well under on the present program. However, many, many farmers nationwide are getting short-changed.

I think that decoupling is workable, fair, and has a lot of merit. I hope you will consider it in the 1990 farm bill.

[The prepared statement of Mr. Clark appears at the conclusion of the hearing.]

Senator BOND. Thank you, Harold.

Next let us move to Blake Hurst from Westboro, Missouri, who raises corn, soybeans, and a few ideas along with them.

Blake, glad to have you with us.

STATEMENT OF BLAKE HURST, CORN/SOYBEANS, WESTBORO, MO

Mr. HURST. Thank you, Senator.

The thing that I am most proud of that we raise on my farm are my three children. A couple of weeks ago, the day before Easter, they were sitting around the table getting ready to dye eggs. The youngest is a boy, 2½, first time he had ever dyed eggs. He picked up one of the eggs, he looked at it, threw it against the wall. He said, there, he says, it died. [Laughter.]

Well, I have a few comments about changing the complexion of the 1990 farm bill from the 1985 farm bill, but I do not want to treat it like Ben treats eggs. I think it has served us well, and I would like not to see too many major changes.

PRESSURE ON OUR TRADING PARTNERS AND FLEXIBILITY IN THE FARM PROGRAM

Most importantly, we have to keep the pressure on our trading partners. We have to maintain a loan rate so that we do not price ourselves out of the export markets. And we have to work as hard as we can at the GATT talks, in any other forum at any other time and any other place, to try to keep this open and as free and as fair trade as possible.

Second, we need more flexibility in the farm program. In the past 10 years, soybean acreage in the United States has dropped by over 16 million acres, while South America has rapidly increased her output of soybeans. In fact, with Brazil's tremendous crop this year, and our drought-starved 1988 crop, they produce in South America nearly as much soybeans as we do. This change is a direct result of U.S. farm policy.

Although market prices are signaling a shift to soybeans from corn here in the Corn Belt, the provisions of the corn base kept us planting corn in order to protect our base. A 1-year rise and profitability in soybeans may be over, but a cut in the base is forever.

It is obvious when the planting intentions came out.

The CHAIRMAN. When the which?

Mr. HURST. The planting intentions report came out. Soybean prices have gone up $2. That is a 40 percent increase, but the increase in soybean acres was only 5 percent. That is over 1 million acres under what the market analysts were forecasting.

OATS

Much the same thing happened to oats. Oats have lost out as farmers have built their corn bases and built their more heavily subsidized crops, and we are actually importing oats.

Now, the shortage of oats came about because people discovered how important fiber is in the diet. Senators and Congressmen writing a 5-year farm bill cannot predict the needs of the American digestive tract, and they should not have to.

So I think that future farm programs when acreage set-asides or acreage reduction programs are needed, it should apply to the total farm base, should allow the farmer more flexibility in planting what crops his market is demanding on that base.

COMMENTS ON THE PAYMENT LIMITATIONS

Third, I would like to make some comments on the payment limitations. I think that we need to draw the distinction between target prices, which I will call direct payments to farmers, and the payments that farmers receive for idling land.

It seems to me there is a difference here, that the payments you receive for idling your ground are in the form of rent. The farmer agrees to forgo the production from those acres, the Government saves the money that they would otherwise have spent destroying the commodities grown on those acres from commodities surplus. So I would like to see all limits removed on the amount of money spent for farmers laying out ground for production.

Now, we have done this in the past. We do not like to say we have. But the PIK program did that in 1983, the Finley amendments are doing it now, have to do it in order to give large production cuts because large farmers have to participate in those programs for that to happen.

However, I think a $50,000 direct payment is quite high. I would like to see the target price for the direct payments be limited to $25,000. That is two times the poverty rate for a family of four, and right around the median income, and I think it is fair and equitable.

Senator FOWLER. The tradeoff of that is who is going to decide how much land you set aside and what price it is going to be for the rent as you describe it?

Mr. HURST. Well, I think your price for the rent is going to have to depend on how much you need to set aside. I mean we go into——

Senator FOWLER. I thought you wanted us to let you make that determination.

Mr. HURST. Like the CRP, you bid for it. If, in a certain year, we need 20 percent set-aside, it may take $100 an acre to get the land out of production. And next year, if we need a 40 percent set-aside or the PIK program, we certainly pay more for the land than the PIK program then we are this year.

And so I think bidding for it, setting a production cut that we think we need, and——

Senator FOWLER. On an annual basis?

Mr. HURST. Yeah, uh-huh.

Senator FOWLER. Thank you.

Mr. HURST. Finally, two more comments.

CROP INSURANCE

First, I am going to disagree with Ed. We have never in the past bought crop insurance. We did this year. We are scared. We have not had any rain. But the size of the drought relief bill was, I think, a problem. I think it would be better if farmers understood, going into a crop-year, that crop insurance was how we were going to handle droughts, and if they felt that they could self-insure or they did not need to buy crop insurance, that was fine, but they were on their own.

And, finally, gosh, April the 25th is early to start talking about grazing and hay set-aside. But we have no pasture. We are still feeding our cows on the stock ground because we are afraid to let them on the pasture because we have no grass. We had an inch of rain in January, and a heavy dew two nights ago. And that is our precipitation for this year.

And those are my comments. Thank you.

[The prepared statement of Mr. Hurst appears at the conclusion of the hearing.]

Senator **Bond**. Thank you very much, Blake. And you certainly speak for many people who have been here today and have already mentioned our continued concern over the drought.

Finally, Mr. Chairman, we have a man with a very interesting project underway, one which the USDA has provided some assistance for, and the University of Missouri and a wide range of other agencies.

Ron Macher is the director of the Missouri Alternative Agriculture Center in Clark, Missouri. And for the information of this committee, we would like to have him discuss his background and his views from that of the Alternative Agricultural Enterprise.

Ron, glad to have you with us.

STATEMENT OF RON MACHER, DIRECTOR, MISSOURI ALTERNATIVES CENTER, ALTERNATIVE AGRICULTURAL ENTERPRISES, CLARK, MO

Mr. **Macher**. Thank you very much for the opportunity to be here. I would especially like to thank Senator Bond and his office staff who were instrumental in helping us get this Missouri Alternatives Center, or MAC off the ground.

MAC

To tell you a little bit about it, any resident of Missouri may write or call the Center. We have an 800 number. MAC is a not-for-profit corporation designed to serve, facilitate and supplement existing extension and Government programs by providing a networking communications center for Missouri farmers on alternative crops, livestock, and other alternative rural enterprises.

You mentioned the different agencies that sponsored it. Just to give you an example of the response we have had to this thing, in March of this year—it actually started in January—we received our first publicity in March, we had a total of 624 questions. Our highest day was 49 telephone calls.

EXAMPLE OF QUESTIONS

And to give you an example, a pecan grower who wanted to know about possible markets for pecan waste. A farmer that wanted to convert a confinement hog operation to a dog kennel. An Extension agent that wanted to know about some opportunities in alternatives. Information on catfish farming, the nutrient value of shiitake mushrooms. A farmer wanting to know how to become a certified organic food producer. How to start a home-based business. Are there markets for crops like crambe and amaranth?

TECHNOLOGY AND AGRICULTURE SYSTEMS

While ostriches and earthworms might not be mainstream agriculture, we would do well to remember that only 60 years ago, the soybean was raised only for hay or as an ornamental in gardens.

Our technology and our agriculture system is changing so fast, and new ideas are needed so desperately, that I think we must open our minds to any viable alternative.

RURAL DEVELOPMENT

Rural development is anything that brings dollars into the rural community, which is inseparable from the farm economy. This is why rural development must begin at local levels, with projects like MAC, which was backed by Senator Bond.

Obviously, if all farmers were making a profit, there would be no need for subsidies. But the fact is they are not, and we must arrive at solutions which are economically and environmentally sound.

DEVELOP ADDED-VALUE MARKETS

I am not against corn, wheat, and beans. But the United States is no longer a least-cost producer. If we are to remain competitive in the world markets, we must develop added-value markets for these products, such as biodegradable plastics from corn, which helps solve both economic and environmental concerns.

DEVELOP NEW CROPS

We must also develop new crops, like crambe, which helps reduce our dependence on oil-producing countries.

The Missouri Alternatives Center helps people to see these opportunities and makes available to them the network of resource connections that will enable them to make a decision about these new types of crops and livestock.

AGRICULTURE IS THIS NATION'S LARGEST INDUSTRY

You are all acquainted with the value of agriculture to this country. Agriculture is this Nation's largest industry, with assets of $800 billion. But 70 percent of those 2.2 million farms out there are small farms. They are the majority, defined by Census as 178 acres or less, and grossing $40,000 a year or less.

SMALL FARM PRODUCTION

While you might argue that small farms produce only 20 percent of the total farm production, that is today, and not necessarily tomorrow. Small farms are generally diversified; they receive little in the way of Government subsidies; they frequently enter into processing and manufacturing of farm products, thus furnishing jobs for the rural community; small farmers are better stewards of the land than absentee owners and investors; small farmers furnish this country with children who have a work ethic and a value system.

TRUE ECONOMIC PICTURE AND DOLLAR VALUE CONTRIBUTION OF SMALL FARMER VASTLY UNDERRATED

I think the true economic picture and dollar value contribution of the small farmer and alternative crops and livestock is vastly underrated, partially because of the way the agricultural census is conducted.

For instance, this varies from State to State, but in Oklahoma, I just heard this the other day, at goat day at Chillicothe, goats were not included in the census. When they finally were included, they found out that Oklahoma had 70,000 Angora goats and 70,000 meat and dairy goats. An Angora goat will gross about $100 per head, so that is $7 million somebody was missing.

CATFISH

Catfish in Missouri is another example. It is a $20 to $30 million industry and growing by leaps and bounds, yet this year was the first time it was included in the census. We produced 5 million pounds of foodfish, but we eat 42 million pounds, which indicates lots of potential growth for this agricultural alternative. It is coming from somewhere, and it is somewhere else instead of here. There is lots of potential.

HORTICULTURE PRODUCTS

Another agricultural alternative—horticulture products, flowers, trees and shrubs—had cash receipts amounting to more than the total receipts generated from tobacco, peanuts, rice, sugar beet and cane crops. The horticulture crops receive no subsidies, but tobacco, peanuts, rice, sugar beets and cane crops are all subsidized. Eighty percent of the cut flowers used in the United States are imported into this country. We import 95 percent of the vegetables that we eat in the State of Missouri, many of which could be grown here. There is a tremendous potential for Missouri farmers, and yet we have only six horticultural extension people for the whole State.

I do not believe that anyone has the God-given right to farm. However, I do believe everyone in this country should have an equal opportunity to do so.

Thank you.

[The prepared statement of Mr. Macher appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Ron.

[Applause.]

Senator BOND. Mr. Chairman, I can ask these fellows questions later on, and I probably will. I just wanted to point out a number of the things they mentioned, we do have a commission studying crop insurance. I think that you mentioned it. And we will be looking at it. We would welcome your views on crop insurance.

In regard to the degradable plastics that Ron has mentioned, we have submitted a request for $3 million to the Senate Subcommittee on Agriculture and Related Agencies of the Committee on Appropriations. We are also trying to pass a bill to get additional flexibility so you will not lose your base if you plant an industrial use crop. In other words, you can protect your existing base.

We recently introduced the Paperwork Reduction Act to respond to the mountain of new paperwork requirements. But, Mr. Chairman, I will hold off on my questions, and turn it over to you with my thanks for the opportunity to hear these gentlemen.

The CHAIRMAN. Well, thanks, Kit.

As Mr. Clark knows, the issue of decoupling will be one that would not be without controversy when that issue comes up. But obviously it is one that we will look at.

Mr. Nierman, I can assure you that I will drop by and pay some attention to the question of dairy when it comes before the committee, not from any parochial interest, of course, but from a national interest.

You know, Mr. Hurst, you spoke of your three children. My wife and I have three children, the youngest is down in Parris Island going through his basic training with the Marines right now. They are going to live most of their lives in the next century as your children will. One of the things I am concerned about when I talk with farmers and see their children is: Are we going to be able to do the kind of things in a farm bill that allows farmers to say to their sons or daughters, here, John or Sue, whatever their names may be, farming is a good life for you and you should plan to make a career of it? That is going to be a very difficult thing for a parent to say to either their son or daughter right now.

Mr. Macher, you mentioned about the children being really part of the value system. I live in rural America in Vermont. My wife and I have a very small, basically nonoperating tree farm in a little town of about 1,200 people. We live at the end of a 2½ mile dirt road in a farmhouse that was built in a building bee about 1850, and looks it. I grew up just a few miles from there.

I know those basic values in a rural area where you know your neighbors. You help out. You have a sense of working for a living. And I do not want to see those days gone. I do not want to see us lose our ability to feed ourselves. It is part of our national security. We are the only major power in the world able to feed itself. And I do not want to give that up. And I commend you for working hard on alternative agriculture.

If we do not develop some of these alternative agriculture products, believe me, our competitors overseas will.

Mr. MACHER. That is right.

The CHAIRMAN. 747's are being loaded with flowers coming into this country oftentimes from countries that should be using that land to feed their own people.

I do not mean to be getting on the soapbox on this issue.

Senator BOND. To begin, Mr. Chairman, we have a very good friend that we have worked with a great deal, the Missouri State Conservationist, Mr. Russ Mills, of the Soil Conservation Service. Most of these people are not here in an official capacity, but since conservation issues have been the subject of a significant amount of controversy and concern, I thought we would give Russ an opportunity to come in and present some of his views. He has been a tremendous help to us as we have dealt with a variety of problems in the conservation area.

I regret to say that we used to have the distinction of being in the top 10 in the Nation in terms of Soil erosion. However, we have taken many steps in the last several years to try to get rid of that title, and Russ has been leading the way.

Russ.

STATEMENT OF RUSSELL MILLS, STATE CONSERVATIONIST, SOIL CONSERVATION SERVICE, COLUMBIA, MO

Mr. **Mills**. Thank you, Senator Bond.

CONSERVATION PROVISIONS ARE WORKING IN MISSOURI

What I would like to do at this time is to have my remarks cover how the conservation provisions are working in Missouri, and Missouri's stake in these conservation efforts.

As you realize, the Food Security Act of 1985 really covers the highly erodible land conservation—sodbuster and conservation compliance—the wetland conservation which is swampbuster, and the Conservation Reserve Program.

I say that right now, generally, the implementation of these provisions is progressing very well in Missouri. Missouri has about 6.4 million acres of highly erodible cropland, which places us fifth in the Nation as far as the total workload. We have completed virtually all of the highly erodible land determinations and are concentrating our efforts on completing the 54,531 conservation plans that Missouri's farmers need to have completed in order to meet their January 1, 1990, deadline date contained in the act. As of March 31, 1989, we have completed 72 percent of the total conservation plans needed, and I like to say that, as of this week, we are about 80 to 85 percent complete. So we have not that much of a workload left to go.

Senator **Fowler**. My hat is off to you. Congratulations.

Mr. **Mills**. Thank you.

Also, there is no question that we will complete the plans of those landowners that make the request so that the lack of technical assistance will not be an excuse on anyone's part.

After January 1, 1990, we will need to assist an estimated additional 8,800 farmers develop conservation plans on their highly erodible cropland—where we yet have the soils conservation to be completed. This would bring us about 63,000 to 64,000 total farmers in the State with conservation plans.

The alternative conservation system approach has helped tremendously in the conservation planning effort in Missouri. And we have stressed with our field office staff the flexibility in the use of those conservation systems. We think that this is one reason that many farmers in the State have accepted the conservation plans who otherwise would not have.

Because of the alternative conservation systems, our average soil loss has been reduced from 12 to 15 tons per acre to 5 to 7 tons per acre on 80 percent of our highly erodible cropland, and that gives you some kind of an indication of the amount of erosion we are incurring.

Due to the large conservation compliance workload, we have limited our wetland determinations to only those Farmers Home Administration borrowers and those USDA participants who, at the time of USDA program signup, indicated an intent to alter a wetland. As of March 31, 1989, we have completed wetland determinations on about 65,059 acres.

We are beginning to do our wetlands inventory, and we are starting in the southeastern part of the State June 1, and we will have it implemented statewide by October 1 for the remainder of the State. When completed, this inventory will greatly reduce the amount of time required to make wetland determinations. We found that in other States where the inventory process has been used, it has been effective in reducing farmer concerns and those of the general public about these new requirements called swampbuster. We plan to complete wetland determinations for all cropland fields and adjacent areas that have a potential for drainage by December 31, 1991.

CONSERVATION RESERVE PROGRAM

The Conservation Reserve Program has successfully retired 1.4 million acres (first through seventh signup) of Missouri's most erodible land from cropland for a 10-year period. Of course, this program is administered by ASCS with technical support from SCS. Slightly over 4,500 acres of this total were planted to trees. These Conservation Reserve Program contracts reduced erosion on Missouri farms by 26.6 million tons per year.

MISSOURI'S STAKE IN CONSERVATION

Missouri has developed a very strong Federal/State/local partnership in the conservation effort. In part, this has been successful because Missouri citizens enacted a sales tax that earmarks one-half of 1 percent for soil and water conservation programs that brings in annually to the Missouri Department of Natural Resources about $20 million. And I am proud to report that we are the only State with a sales tax that is devoted, and I might add, as a free commercial to the Senator, it was enacted during Governor Bond's administration. So, with that, we also pass along the compliment.

The CHAIRMAN. Well, that sure surprised you; did it not, Kit?

Mr. MILLS. He did not pay for the commercial.

Senator BOND. I had written it out for him. I did not think he would ever get to it. [Laughter.]

Mr. MILLS. But, seriously, these funds have strengthened conservation districts in Missouri, both in terms of staff and cost share funds for conservation work. Because of this effort, it has freed a lot of Soil Conservation Service resources for Food Security Act, and has allowed many soil conservation districts to also redirect staff to help with the FSA workload. We sincerely appreciate these efforts on behalf of the Missouri Conservation Agency and the Soil Conservation Districts.

Again, I appreciate the opportunity to make a few comments. And if you have any questions, I would certainly be glad to answer them for you.

[The prepared statement of Mr. Mills appears at the conclusion of the hearing.]

Senator **Bond**. Mr. Chairman, I think, with your permission, we will move on and get a different perspective on some of the conservation compliance and CRP issues.

With us today from Oregon, Missouri, is Mr. Byron Fink. Byron, welcome.

STATEMENT OF BYRON FINK, CONSERVATION COMPLIANCE/ CRP, OREGON, MO

Mr. **Fink**. Good afternoon, Senators. And I feel privileged to have this opportunity to share some of my thoughts and ideas in regard to conservation in our farm programs.

I am a Holt County farmer, and I also happen to be on our County Soil and Water District Board, so I have some front line experience regarding the conservation provisions of the 1985 farm bill.

First, meaningful soil conservation legislation has been long needed, and you are to be commended for your part in passing this initial step toward conserving our most precious natural resources.

FARM PLANS, WATER QUALITY, AND THE CRP

Senators, I would like to briefly hit on three issues. One is our farm plans; two, water quality; and three, the CRP.

I must personally admit that when I first viewed the 1985 farm bill and its conservation provisions I was concerned. In our rolling, highly erosive, but also fertile land, it seemed to be impossible to bring our soil loss down to acceptable T values. And it was not until we had the Alternative Conservation System that we began to make some real progress toward developing farm plans.

At this time currently, our farm operators, as Russ Mills said, are coming into our SCS offices, and we are designing workable plans. And it is most likely that our county will have the farm plans completed within the given timetable.

Now, for the problems as I see it. Many of our farm plans under this alternative conservation system are based on very restrictive cropping sequences. The soil is conserved by rotating crops, contour farming and, most importantly, crop residues. These farm plans have been designed to be compatible with the existing bases, ASCS bases, but they have little, if any, flexibility to adjust to changing conditions. If the farm suffers from a drought, such as it did this past year, the rotation can be effected, both by a chemical carryover and the lack of crop residues.

This lack of flexibility will cause a need for exemptions or waivers in order for certain farms to comply with their farm plan.

SCS is charged with the job of monitoring conservation compliance. Without some increased planning flexibility, this will be an unmanageable situation. As we look to the future, I hope that we can design a farm program that will be compatible with our soil conservation needs.

Let me just touch on another related concern, and that is water quality. Much is said about it, but we have little hard research to put our hands on, at least here in the State of Missouri. Let us get some hard factual research behind us, and research out of our land-grant universities before we write major water quality legislation.

In the same vein of thought, let me also mention LISA. And that is a buzz word, "low-input sustainable agriculture." It's probably a good idea if anyone could define what it is.

Let us not kid ourselves. We are competing in a world economy. Our ag competitors in South America, in Great Britain are using high technology inputs. And if we are going to compete with them, we have to have the same tools.

Let us not eliminate this chemical usage, but let us seek ways to use our chemicals more effectively and more safely.

One more item, Conservation Reserve Program, CRP. We are still short of the stated 40 million acre goal. One idea I would like to suggest to you, many of our farmers object to signing their land in for 10 years. Let us explore the idea of shortening that period to a 5-year timeframe with the idea of allowing an extension for another 5 years for these upcoming contracts.

Another possibility for reaching this 40 million acre goal would be to again offer the base buy-back option.

Moving right along, what are we going to do with this land when the contracts run their course at the end of the 10 years? I do not have an answer, but I think that the discussion needs to begin now or are we going to let our farmers extend these contacts, are we going to dump it back on the open market, so to speak? Let us talk about this. And if we are going to extend these contracts, let us be saying so.

One other item regarding our CRP contracts. Currently there is a prohibition against using Federal or State funds for conservation practices on our CRP land. I feel this is ridiculous. Why not use this period of time when this land is idle, when it is covered with grass, to install the mechanical practices, terraces and the waterways that will help preserve this fragile land. Sooner or later, whether it is 5 years or 50 years from now, this land will return to production. Let us give the landowners the financial incentive to install the needed practices so that when it does come back into production, it will not erode away.

And this is just reiterating a thought that Russ Mills had. In 1984, during Governor Bond's tenure, the citizens of Missouri——

The CHAIRMAN. I am going to say you are a lot older than you think. [Laughter.]

Mr. FINK [continuing]. Voted the sales tax to fund both soil conservation and State parks.

In 1988, the citizens reaffirmed this decision by continuing this tax for another 10 years. It is reassuring to me that the people of Missouri had the social and moral consciousness to pay for soil conservation. It is even more gratifying to have the money available to help our farmers build the terraces and other soil saving structures that they need.

Thank you, gentlemen, for listening to me. And I would be glad to respond to any questions.

Senator BOND. Thank you very much, Byron.

The final member of this panel, Mr. Chairman, is a man who can talk to us a little bit about swampbuster and wetland problems, Mr. Tom Effertz from Belton, Missouri.

Tom, glad to have you with us.

STATEMENT OF TOM EFFERTZ, SWAMPBUSTER/WETLANDS, BELTON, MO

Mr. EFFERTZ. Thank you, Senators.

SWAMPBUSTER STORY

I did not know I was a swampbuster until I had this problem and did not think we had any swampland in the Kansas City area or the Belton area. So I will have to tell you a little story at first.

What happened, anyway we bought an abandoned farm. That is mainly hill farmers. Myself and my three brothers farmed about 12,000 acres and we owned about 4,000 of it, and we leased the rest of it. I am telling you these things so when I bring in the three major points that I would like for you to go back to Washington with, maybe it will stay in your mind. I did not write the speech. I am just going to talk to you. I just made some points here.

When we cleared the sod, I did not know I was a sodbuster. We cleared some bottom land, and I have been conserving the soil right along. And after I cleared, I went to the ASCS office and, first, I told them I was going to clear it. And our manager up there had retired, and there was not any manager, and they thought it would be fine. So I cleared about 8 or 9 acres in 1987, in the fall of 1987. And then I found out I was a swampbuster, that it was hybrid soil, that I could not clear that soil. They would have to save it for the Fish and Wildlife. And, in fact, the deer—people were hunting down there, deer hunters and all that—and I did not mind all that. In fact, one guy was standing in a tree down there once; and I thought I was going to get shot at. But, you know, anyway, I put up with it.

And so, I appealed it; and they said I was still a swampbuster. And then it went to the Warrensburg office; and I was still a swampbuster. So I appealed it again. I have hours and hours of letters I wrote. And it finally got to Russ Mills; and that is where we got something done.

I think he thought this was ridiculous; and so they sent out six people in a van. No telling how much money this cost to get 6 to 8 acres that I cleared, was flat-bottomed land; and between he and Pat Graham, they thought, "Well, this is ridiculous."

Well, they happened to have the Fish and Wildlife out there. They thought that I was still a swampbuster; and I am sure the SCS thought I was not. Well, anyway, they kept it that I had to write another letter. And Russ assured me, he says, "I will see if we cannot get it cleared up."

I said, "Where does it go next?"

And they said, "Washington."

And I say, "Hell, I do not want to go that far."

I said, "If we cannot clear up 5 acres, 7 acres, of making a mistake that I was not informed by."

And the manager at the ASCS office said she did not inform us on it because we did not think we had swampbusting in this area. We thought it was just soil erosion. So anyway, we got it cleared up before it got down there; and before it got any farther. And this took almost 1 year.

Well, I think I did mention casually somebody not mentioning any names. I do pay in about $100,000 per year for crop insurance; goes to the Federal Government.

Senator BOND. OK. With respect to the swampbuster program, we have heard in a number of places a concern over the administration of the program. Some farmers think it is too inflexible. At one meeting I held recently in Kirksville, I asked if anybody had any problems with swampbuster, and it was a very popular subject. I think everybody there wanted to register a general or specific complaint about swampbuster.

Any specific suggestions for legislative or administrative remedies?

I know you have heard complaints about the swampbuster. Do you have any solution?

Mr. MILLS. I think, Senator, when we talk about swampbuster, people think of the pothole country of the Dakotas and the Minnesotas, or the hardwoods of Mississippi. And I think we are a little bit unique here from the standpoint that we have neither one of those type of settings.

And I think that one of the things that we have now that we would like to try to work out is what we call minimal effect. And Tom Effertz was one of those where he had to mitigate the loss of a wetland. And I think that is a very viable tool in this State. I think it is a workable tool.

And we were down in Director Kruse's area a week ago, and we met with some of the farmers, and they indicated at that point that probably 90 percent of the landowners down there would be willing to mitigate a loss. And we are talking about small areas in the middle of a field that are a nuisance to farm around, if you will.

And I think this is a possibility. But I think it is some of the issues that we have to work out. But, for this State, it is a possibility that we need to explore and explore fast.

Senator BOND. Do you feel you have a problem with the legislation? Does it prohibit you from doing that? Do you need additional legislative authority to do it, or is it something that you can do within the existing law?

Mr. MILLS. We can do it within the existing law.

Senator BOND. A final question I might ask just to all of you.

What happens to the CRP contracts? Some of them run out in 6 years. Byron said they are going to go back into production. There are some who think we ought to be getting more of those into permanent tree stands and other things for a number of reasons.

What are your thoughts on where we go for conservation compliance in the 21st century with the land that we are putting in now, what do we do with it 6, 10, 15 years down the pike from here?

Mr. FINK. Well, I will restate my case. I feel that we need to, where those farmer operators want to, I feel that we need to support them in putting the mechanical practices in place.

I come from the prospective of northwest Missouri. We in this corner here have put some very productive but steep soils in the CRP. And they have pie production and nexus. That land, you know, it is just not going to stay there. It is going to come back out and grow corn, wheat, soybeans.

So I feel that, you know, unless there is an extension offered, I think she will come right back on line.

Mr. **Effertz**. Don't you think that what kind of crop years we have in the next 10 or 15 years are reserves or lower than they have ever been for years. And if we have one this year, they might be asking us to break some of this land back out. And that would be something that we have to consider.

They say we cannot have a drought back to back, but it sure does not feel like it is going to rain.

Senator **Bond**. I have not seen too many people standing up promising it. So you think it might be just likely to come back into production?

Mr. **Effertz**. I kind of think it would. I have not got any myself but I kind of feel it would.

Senator **Bond**. Russ, what are your thoughts on that?

Mr. **Mills**. It is a little bit like Tom said. It depends on the prices and a lot of variables.

I think that we need to see what we can do about different markets for forages in this State. And I know we have been working with other agencies and some of Director Kruse's staff. And I understand, Director, that Missouri is an importer of hay in this State.

And the question is if that CRP land, if it is productive, then what incentives could we have to leave it in a forage and provide a market for it? I think the University of Missouri has been taking a look now, and we have been working with them and other agencies on this, this concern about what is going to happen after 10 years.

And if we knew what the market was going to do, I think we could probably predict, but I am not really sure.

Senator **Bond**. Well, thank you, Mr. Chairman. That covers my questions.

The **Chairman**. Thank you.

Wyche, do you have any questions?

Senator **Fowler**. Gentlemen, I thank you all. Also I wanted to try to respond some, Mr. Fink, have a two-way information here.

I cannot speak with any authority for any other State. In Georgia, agriculture is certainly the largest business in the State. We have 159 counties, second only to Texas.

And we have this economic miracle called Atlanta. Ninety percent of the State is still very rural and very agricultural.

I have been in Congress for 13 years. And it has amazed me in the last couple of years, as all of us go around and have our town meetings, try to listen to people, find out what is on their minds so we can figure out what we are doing right and wrong.

What used to be what we all identified as sort of hippy environmentalists, you know, carrying signs and predicting the end of the world and saying, maybe like you said, get rid of all the chemicals. That is not happening any more. But I will tell you what is happening in my State and talking to my colleagues. That responsible citizens and consumers at all levels are all of a sudden standing up and saying to us, the policymakers: How come the Government cannot guarantee that the food that we eat and the water we drink does not have contaminants in it? And that is coming up over and over and over again.

I will not accept your challenge. It was not really a challenge. I know it was a figure of speech in a way. When you said you did not know what LISA was. I think I know what LISA is, what it ought to be. It is to grow the best food with the best yield, with the least chemicals necessary. And that is what we are asking and going to be asking in a conservation title for all farmers to voluntarily do, to reexamine their current chemical and fertilizer use.

In light of what you yourself said, around the world we have all this genetic engineering going on in test resistant plants. We have examples all over the country where people have in different crops, admittedly in different climates and different soils. But there is a wealth of information now of people who have tried less and low volume, or more low volume or less label recommended dosages of chemicals and fertilizers.

It is remarkable the number of successes that are being reported.

So what the low-input recommendations that are now pending—we do not know whether we will pass them or not—but they are going to be given very serious attention, is to ask the farmer, we are going to give cash incentives, hopefully, or tax breaks, one or the other, to voluntarily reexamine your chemical usages and needs and see what you can do.

And we know how expensive just well testing is for drinking water, so we are going to help you financially with that, again purely voluntarily, but at least to get the data base. And even if you do not want to enroll in a program, if you find some contaminants, we will try to see where it is coming from so that we can help do it.

But I wanted to give my testimony on it, and tell my friends in Missouri that we believe, there are a lot of us that believe, and we think the evidence is there, that this is an issue with a consumer, with a public that is not going to go away. And, of course, the farmer is the one that has the most to lose and the most to benefit in making a profit if he can ensure that he is doing the incredible job that the American farmer has been doing it, but can do it.

We had testimony this morning. Farmers came up and told me that they know that their water problem is that they just use too much fertilizer. There is too much nitrogen that got in the water. And I will tell you, when they went back and talked to the Extension Services and got the information, they saw they did not need as much as they had been using.

If we pass anything, I can assure you it will be a voluntary program. But I hope that you will sort of hold off and give us your suggestions. But nobody is suggesting eliminating all chemicals or flipping this thing overnight. But we are going to try to see if we cannot do a better job on your behalf.

And we appreciate any specific suggestions you have. They will be a tremendous help.

Yes, sir.

Mr. **Fink**. Can I respond just a minute?

Senator **Fowler**. Please.

Mr. **Fink**. I think we are both coming from the same place. I would have to share this with you though, myself included in this, and the farmers that I am close to, we do evaluate very closely, and from an environmental prospective the chemicals we use.

I think, you know, this technology is evolving. And, you know, this past year, we have seen what chemicals will do when you have the weather that will not break them down. This is bringing that home.

I think we are doing a good job. No doubt we can do a better job. But some of these ideas, the workability is going to have to be proven. And maybe that is what you addressed there.

Senator FOWLER. That is what we are trying to address. See, since we cannot make it rain, and it is getting hotter everywhere in the country, we have had 8 years of near drought conditions in the Southeast. We only ticked over into the drought last year, but it has been drought by anybody's standards.

Our water table is in danger. We have the finest largest aquifers in the country, three or four of them, running through North and South Carolina and Georgia.

Well, since we cannot make it rain, if you work backwards from there, we have to make damn sure that the water we have is drinkable. And we have to reexamine our compounds and everything that we are doing.

But if all this money the Government is spending on research is any good at all, we have to try some of the things that the research is coming up with. But you are our laboratory. I do not care about the—we have little boys with test tubes. I do not believe in that either until the Georgia farmer and the Missouri farmer grows a crop with it, or tries it, and then reports it. That is the only person I want to believe.

But that is the stage we are at now. We have a lot of stuff coming out of the test tubes, and I know they are doing work on low volume pesticides here at the University of Missouri. Your Director has told me about that. But we have to get some of you guys to take 10 percent of your crop or one of your crops and see if we can get it right.

Mr. FINK. One more and I will shut up.

Senator FOWLER. I am going to give you the last word so I will shut up. I promise I am going to give you the last word.

Mr. FINK. Have you seen a LISA application for a grant proposal? I have.

Senator FOWLER. Just the paperwork?

Mr. FINK. The paperwork is worse than signing up for the farm program at the ASCS office.

Senator FOWLER. I am going to work on that. I will accept that challenge.

The CHAIRMAN. I will take the last word. I am going to work on that because the LISA research program is now funded in the ag appropriations bill.

The authorizing legislation made money available for it. It was legislation I wrote initially. I did not write the applications. I just wrote the legislation to make it available. I wanted it available and I wanted it in a broad fashion so we could have, in all parts of the country, different crops, and try to find out what things will work, and what will not work.

But I do not want it to stop at the paperwork. If we say it is not going to work, I want it proved it is not going to work. I do not want to have it die of mourning because we cannot fill out the paperwork. So I will look into that.

I think we will take a 5-minute break, and then for about 25 to 30 minutes, we have an open mike where I am going to ask Charlie Kruse to go around and have different people get a chance to say something for a minute or two for the record.

But first we will take about a 5-minute stretch break.

[Recess.]

The CHAIRMAN. Ladies and gentlemen, if we could reconvene. I sit here filling my face with these soybeans, but because I promised the President I would get the airplane back to Andrews this evening, or he is going to put it on my expense account and I cannot afford it, we are going to have to leave here pretty close to 4:30. And I mentioned before we would have Charlie go around and receive comments from the audience.

Incidently, to clear up one question, somebody asked me out here, coming from Vermont, if I was a Democrat or Republican. Somebody pointed out they knew exactly what I was. I am a Democrat. This is a bipartisan committee. So we have both parties here.

Vermont is the 14th State in the Union and selected only one Democrat in its 200-year history, and that is me. In fact, it is the only State in the Union that has only elected one. I was introduced recently at a meeting in Vermont, where most people are Republicans. And somebody said, you know, Pat Leahy is the only Democrat we have ever elected in 200 years. A voice in the backroom said, "Yep. Ain't gonna make that mistake twice." [Laughter.]

But I was glad to see at least I have a couple of folks in my party here who said that they were glad to have me in Missouri.

Senator BOND. Quite a few. We are a diverse State, not only agriculturally but politically, Mr. Chairman. And whatever political view you have, you will find somebody in Missouri shares it and about three who do not like it. So that is what makes politics so interesting.

The CHAIRMAN. And that is out of only two people. [Laughter.]

Charlie, why do you not take the microphone. I would ask that everybody keep your remarks very, very short. Please give your name and your address. Your testimony will be part of the official record and you will get a copy of the transcript of what you said. If you find there are a couple of points you wanted to add on to it, you will have the opportunity to do that. This will give you the opportunity to correct statements made today.

Go ahead, Charlie.

Senator BOND. Mr. Chairman, if I might emphasize. There are so many people who have so many good ideas, every written statement will be included in the record in full.

The CHAIRMAN. That is right.

Senator BOND. When you get up to speak, we want to hold it to within 2 minutes. Charlie is also an officer in the National Guard and he is used to cracking heads. He will be a tough monitor.

We want to hear from as many people as possible. So please just give us in your own words your main points. We will take all of the testimony in writing and look forward to reading it.

OPEN MICROPHONE TESTIMONY

STATEMENT OF FRANK O. FARMER, DAIRYMAN, WALNUT GROVE, MO

Mr. **Farmer**. Thank you, Charlie. I am Frank Farmer, Route 2, Walnut Grove, Missouri. I am a dairyman.

Senator Leahy, Senator Fowler, welcome to Missouri. Senator Bond, thank you for having them.

I too have prepared a "deathless" statement that I would like to submit for the record. There are five subjects on here I wanted to discuss. I will only verbally mention two of them.

PRICE AND HOW WE SHOULD GET IT

One of them is the price and how we should get it. I would urge you to go back and study the Steagall amendment to the War Stabilization Act of 1942, and see how 35 basic commodities were given 100 percent parity base.

The Nation fought that war without excessive taxation, and came out of it and, a few years later, Harry Truman balanced the budget, if I am not mistaken.

Please go back and study that and see how we can have prosperity and start earning the income necessary to operate this Nation and stop borrowing it at interest.

DO NOT INCLUDE A RURAL DEVELOPMENT PROGRAM IN THE 1990 FARM BILL BUT CREATE A SEPARATE TITLE FOR IT

The second thing I would like to urge you to do is to not include a rural development program in the 1990 farm bill, but create a separate title for it.

I believe that there are 60 million people who live in the United States of America. They live in the womb of the fundamental value system that made this Nation great. They deserve a new break. They can have any type of any standard of living essentially that they so desire if we would properly analyze our resources, both financial and natural, and begin to enhance the value of those resources. We can do this without excessive funding from the Government. We can earn it. We can do it the old-fashioned way, we can do it ourselves.

Thank you for allowing me to present this information.

[The prepared statement of Mr. Farmer appears at the conclusion of the hearing.]

STATEMENT OF FRANK O. FARMER, DAIRYMAN, WALNUT GROVE, MO

Mr. **Hitzhusen**. Thank you, Charlie. Mr. Chairman and Senator Bond, just very quickly, I am Bob Hitzhusen with the Missouri Farm Bureau in Jefferson City.

I know you are going to hear a lot of Farm Bureau testimony both at your field hearings and in Washington, D.C., and I am not going to take the time away from some of these individual farmers.

One thing we are good at in the Farm Bureau is singing from the same sheet of music, so you are going to hear this testimony a lot of different times.

I will submit this prepared statement for the record, and I appreciate your willingness to come to Missouri and to listen to these Missouri farmers.

Thank you.

[The prepared statement of Mr. Hitzhusen appears at the conclusion of the hearing.]

STATEMENT OF DICK TOWNSEND, ROSENDALE, MO

Mr. TOWNSEND. Senators, I am Dick Townsend from Rosendale, Missouri, just 50 miles straight north.

CONSERVATION AND CROSS-COMPLIANCE

I would like to reiterate on your conservation part of it, and give you what the cross-compliance to my son's and I situation.

My son and I farm about 1,700 acres. We both own land and lease land. We lease land from nine different people. Just because we have one landowner that will not even submit a plan, we have been farming this ground 5 years, but that is kind of beside the point. I mean I can take it. Whether we farm it or do not farm it will not break us. But what comes in is we have been carrying crop insurance for 20 years. It throws us out on that.

Before we farmed that ground, it was in continuous soybeans for 8 or 9 years. There is 240 acres involved.

Now, we have finally got him convinced to rotate between corn or sorghum now and soybeans, at least get some rotation in.

My point is, are we better off without the cross-compliance the way we are farming it now than the way it was before? Because if we quit farming it, I guarantee you somebody is going to be farming it, probably like it was before.

Thank you.

The CHAIRMAN. Thank you, sir.

STATEMENT OF ROBERT STANTON, ROCK PORT, MO

Mr. STANTON. Robert Stanton from Rock Port, Missouri. And I happen to be one of the people that raise an alternate crop.

BRINGING FOOD PRODUCTS INTO THE UNITED STATES WITHOUT INSPECTION

And for the statement from the Senator from Georgia, we are very concerned about the chemicals we use on the food products. But the thing that really concerns me is to go down below the Falcon Lake on the Rio Grande Valley, see the people on this side of the river complying with all regulations—and this fellow that I know real well, his brother is across the river in Mexico. When you go to Matamoros, you can just see the trucks have a direct line in with no inspection, bringing food products right into our country.

That really concerns me because we are just as concerned about our water table and contamination of our crops as anybody because we live there. We eat them, and it is our livelihood. But it is pretty hard to tell what is happening coming from somewhere else with very little inspection.

I think that is one thing that the U.S. Government should take a more active part in, and be sure that all that food is OK so we can eat it. Because they can use chemicals we cannot use.

Thank you.

Senator BOND. Charlie, do not forget the other side of the room. We have some customers over here for you too.

And we would appreciate your full address because we want to send you a copy of these comments. I know the judge here but, Bob, give us your full name and address, please so we can send you a copy of your comments.

STATEMENT OF ROBERT W. BERREY III, JUDGE, EXCELSIOR SPRINGS, MO

Mr. BERREY. Bob Berrey, Rural Route 2, Box 1078, Excelsior Springs.

My son and I own and farm about 4,000 acres in three States, and Senator Bond was good enough to have appointed me to the Circuit Bench and subsequently to the Court of Appeals.

PAPERWORK INUNDATING FARMERS

I am here to comment briefly on remarks that the gentlemen from the Senate have already made and some of our guests, and that is with regard to the paperwork that is inundating the farmers of America, particularly with regard to the CRP.

You know, the Consumer Credit Act, a law passed by Congress, that stated the print had to be of such a point size that you could read it, and, generally speaking, that an average layman should be able to read any insurance contract. It took me about 4 weeks to labor through the CRP contract and, even then, I was not sure I understood it. And I am a judge on the Court of Appeals. It needs to be revised.

Secondly, this Form CCC-502A, which I have in my pocket, which I will mail in, took our family many, many hours of backbreaking work and digging in the records to complete it. I am not sure that it was necessary. And I also doubt that many Members of the U.S. Senate have seen it, that it was concocted in some bureaucratic office back there in Washington.

Senator Bond I would like to mention Morris Westfall's outstanding service to our State agriculture and to our own county. Thank you.

[A letter and attachments submitted by Mr. Berrey appears at the conclusion of the hearing.]

Senator BOND. Thanks, Bob.

STATEMENT OF JEFF McFADDEN, RICHMOND, MO

Mr. MCFADDEN. I am Jeff McFadden, Richmond, Missouri. My full address is on my printed testimony that I handed in to you.

OPEN THE MARKETS

Gentlemen, the number one thing that needs to be done to save agriculture in this country is open the markets. Fifty years ago, a farmer lived selling chickens, eggs, milk, cream. Today, none of those things are legal to sell. I cannot make a jar of jelly and sell it.

All this was done in the name of health. But the American consumer does not feel that the chickens he is buying today are any safer than the ones he could buy at the farm.

Consumers should have a right to choose whether to risk farm-raised chickens or factory-produced chickens and to choose whether to gamble on my wife's cleaning or antibiotic resistant salmonella.

Open the markets. The farmer will survive. [Applause.]

[The prepared statement of Mr. McFadden appears at the conclusion of the hearing.]

STATEMENT OF DON LUCIETTA, LAMAR, MO

Mr. **LUCIETTA**. Senator, I am Don Lucietta from Lamar, Missouri.

LOOK AT BIOLOGICAL CONTROLS AS WELL AS CHEMICALS

I appreciated Senator Fowler's comments about the concerns of chemicals. When I go out to my grain sorghum field and look for green bugs, I, at the same time, am looking for ladybugs. If I see enough ladybugs, I do not worry too much about the green bugs.

I urge you to look at biological controls as well as chemicals.

Remember, too, not to be too concerned about the news media hysteria. And what Paracelsus said over 100 years ago "that it is not the poison that kills, but the dose."

WATERWAYS AND CONSERVATION COMPLIANCE—BERM MONEY

On another subject, on waterways and conservation compliance, when we build a waterway, we put up a berm so that the waterway and the grass is not washed away. There is no money available to remove that berm the next year. We would like to have that corrected to where money is available to remove the berm next year.

STATEMENT OF DENNIS FULK, ROUTE 2, PLATTE CITY, MO

Mr. **FULK**. My name is Dennis Fulk. I am from Platte City, Missouri, Route 2. I am also on the Board of Director of the Missouri Soybean Association.

FLEXIBILITY

Missouri is the fourth largest soybean producing State in the United States with approximately $800 million worth of soybeans produced annually. When it comes to meet the needs of Missouri's soybean farmers, I believe the keyword is flexibility. United States farm programs encourage maximum continuous planting of program crops and discourage traditional crop rotations, including soybeans.

Farmers have declined to grow as many soybeans in favor of program crops in order to receive deficiency payments and, very importantly, to not lose crop acreage bases and future benefits.

U.S. farmers are encouraged to maximize production of program crops while our competitors see the opposite signal from the marketplace.

The world cash price of competing crops tells them to produce soybeans. The United States farm program also supports the farm income of foreign competitors because of the fact that our nonrecourse loan program provides a rigid floor price for world soybean prices.

As a result of this, U.S. production of soybeans and other raw seeds is down 31 percent, and acreage is down 20 percent since 1979. Foreign production, on the other hand, is up 52 percent and acreage is up 22 percent.

World demand for protein and vegetable oil is growing at 4 to 5 percent a year. U.S. farmers are reducing soybean acreage in a growing market while foreign competitors expand and seize profit opportunities from U.S. farmers.

CONSIDER THE IMPACT OF ONE CROP POLICY UPON ANOTHER

As you write the next farm bill, we recommend you carefully consider the impact of one crop policy upon another.

In closing, I would like to take this opportunity to thank Senator Bond for his willingness to introduce legislation to establish farmer-controlled nationwide soybean promotion and research program.[1]

Thank you.

STATEMENT OF SHIRLEY BLAKELY, WESTON, MO

Ms. **Blakely**. I am, Shirley Blakely, Rural Route 1, Box 288, Weston, Missouri.

CONSERVATION RESERVE

And to address your question about conservation reserve, I can only speak for Platte County. We have highly erodible soil, but we also have highly productive soil. Even at $5 per bushel beans, our acres will bring in over $200, and in corn at $2.50, it will still bring in like $250 an acre.

If you are buying land, that does not even pay your interest. At $60 per acre, sign up in conservation reserve. And I think that is the reason Platte County has not signed up more acres.

TOBACCO IS NO LONGER SUBSIDIZED

In regard to the guy that was talking about the tobacco being subsidized, tobacco is no longer subsidized by the Federal Government. We have a no-net cost. As we sell our crop, we are assessed user's fees. We pay for the graders, we pay for the shipping. And this is Platte County's alternative crop that we have had since 1850.

Thank you. [Applause.]

STATEMENT OF GARY COLLIVER, CHIEF AGRONOMIST FOR FARMLAND INDUSTRIES, KANSAS CITY, MO

Mr. **Colliver**. My name is Gary Colliver. I am chief agronomist for Farmland Industries, local cooperatives and farmer-producers, based here in Kansas City. Farmland is a farmer-owned regional cooperative representing 19 Midwestern States.

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[1] Soybean Promotion, Research, and Consumer Information Act, S. 919.

I want to thank Senator Leahy, Senator Bond and Senator Fowler for coming to Missouri and hearing us in this session.

LISA AND GROUND WATER

I am pleased that Senator Fowler discussed LISA and the impacts of ground water being considered in Congress. I think these are important considerations.

MEDIA CONCERNS

I think the things we hear and read today in the media indicate that you will consider the right things. We express a concern when we see credence given to Meryl Streep and the National Resources Defense Council when those viewpoints get publicized by the media to the extent they did, especially when they are inaccurate according to the EPA, the FDA, the Surgeon General, and other Federal offices.

We must keep our perspective. We must keep science the key in our legislative considerations. We can't let go of reason and scientific-based information.

The most vocal proponents that you have and will continue to hear from about low-input practices, advocate taking us back to agriculture of the 1930's. I think best management practices, including legislation that has already been introduced, will take care of those things that are currently minor problems in agriculture.

There is always room for improvement in agriculture, and we go along with that wholeheartedly.

In summary, I think this dialog that we are having here today will lead to good things for American agriculture. And you have our wholehearted support in trying to arrive at the best conclusions as the farm bill is considered.

Thank you.

Senator BOND. Thank you.

The CHAIRMAN. Let me emphasize one thing because—Senator Fowler had to leave—on LISA and alternative forms of agriculture.

The most important thing is not to see that as such a threat that it is going to be rejected out of hand. We make a bad mistake in this country. If we feel that we could suddenly take a snapshot today, and I know you are not suggesting this, but if we could take a snapshot today and say this is the way agriculture will always be in this country. We have to look at alternative forms of agriculture, we have to look at ways to have alternatives to various types of pesticides. Some will be banned, some will be allowed, some will be cut back in the amount that they will be allowed to be used.

We have to look at alternatives to the types of fertilizers used. Now, this might send shivers up and down the backs of some throughout this country, but there are a number of issues. On the issue of foreign competition, remember that they are facing some very serious problems in being able to pay for pesticides and fertilizers in these nations. We do not know just where the negotiations will go worldwide.

You do have consumer attitudes that are changing. I get an enormous amount of mail in my office from people asking about the safety of food products, and also we have to keep taking every step possible to prove that American food is safe. I happen to feel it is the safest in the world. But we have to keep on proving that and finding methods for it.

Now, on alternative forms of agriculture, LISA or anything else, that is fine, let us take the experimental step, let us take the research possible to see what is available here. And then if it is commercially feasible, then that is something we should look at. If it is not commercially feasible, it is going to stop there anyway.

But what we have to do with our agriculture research is to make sure we know what is commercially feasible in this country.

If we do have people that are interested in products grown in different ways, whether it is a meat or fish or fiber, whatever it might be, they must see whether we can do it, and then you are going to find the market is going to have a fair say in that regard.

Charlie, go ahead.

STATEMENT OF DAVID BALDWIN, MISSOURI SECRETARY AND TREASURER, AMERICAN AGRICULTURE MOVEMENT, FAMILY FARMER, WHEELING, MO

Mr. **Baldwin**. My name is David Baldwin. I am family farmer from Wheeling, Missouri.

I want to thank the Senate Agriculture Committee for coming to Missouri and for giving us an opportunity to express our views.

I have a prepared statement that I will hand in. I will just roughly summarize it.

LISA

Concerning LISA, this weekend, a group of us attended a workshop in Jefferson City on sustainable agriculture sponsored by the Center for Rural Affairs of Nebraska which has done extensive research in this area, and had some interesting data to work with.

And Senator Fowler's definition of LISA was 100 percent accurate. It is not the big O word, the organic farming that we think of in the past. That is not the problem here. Sustainable agriculture is a different term altogether.

DO NOT LET THE LIVESTOCK PRODUCER COME UP ON THE SHORT END OF THE STICK

I would ask that in your consideration of the 1990 farm bill, that the livestock producer not come up on the short end of the stick, as he has in a great many bills in the past.

We are a large consumer of the grain that is produced in this country, and we need to have some types of protection to make sure that we stay in the business. We have, in Missouri particularly, with No. 2 in the number of family farmers in the Nation, second only to Texas, livestock is on a great many of those family farms. Livestock is an important ingredient in a beginning farmer. It is extremely difficult to go to a banker at this day and age and get him interested in loaning money to get into the livestock business whenever it has no more protection than what it has under the past laws and the past actions of the Government.

And I thank you very much.

The **Chairman**. Thank you very much.

[The prepared statement of Mr. Baldwin appears at the conclusion of the hearing.]

STATEMENT OF JIM LONG, EXECUTIVE DIRECTOR, MO-KAN REGIONAL FOOD BANK, ST. JOSEPH, MO

Mr. **Long**. Senators, I would like to thank you. My name is Jim Long. My mailing address is P.O. Box 522, St. Joseph, Missouri.

I represent a group that is not here today, but I would like to say thank you for them. These are the folks that we, at the Food Bank, are feeding through the farm drought bill that you passed last summer.

We hope that as you consider the farm bill this year that you will look at the Temporary Food Assistance Program and the commodities program to make sure that we are still feeding people that need it.

Thank you.

The **Chairman**. Thank you very much.

Charlie, we will take two more. Let me say in answer to that, I will repeat, feeding people is going to be a major, major part of that farm bill.

STATEMENT OF JACK STRODE, UNIVERSITY EXTENSION, WESTON, MO

Mr. **Strode**. I'm Jack Strode, 636–A Platte Street, Weston, Missouri. I am with the University Extension.

LISA PROJECT

I would just like to say on the LISA project, we have a grant that we applied for this summer through the university, or this winter actually, thinking we were going to get started this summer. And they tell us we will not know anything until June 15. So it is sort of difficult to plan on spring and summer crops when we do not know until June 15. So I would like to see this move a little faster.

The **Chairman**. Thank you. One message is going to come loud and clear—in fact, I may even make a phone call on the plane on the way back. We are going to find out what is happening on these kind of applications.

You get the last word here. Go ahead.

STATEMENT OF BILL CHRISTISON, PRESIDENT, MISSOURI RURAL CRISIS CENTER, CHILLILCOTHE, MO

Mr. **Christison**. Senators, I have gleaned a few points out of this testimony I am going to hand to you.

I am Bill Christison from Chillicothe, Missouri. I am president of Missouri Rural Crisis Center.

SUPPORT TEFAP

We also support the TEFAP backed program, which the previous speaker was speaking about.

FOOD SECURITY ACT OF 1985—DO NOT EXTEND

I would like to make a point that we do not simply need an extension of the Food Security Act of 1985. It was a disastrous program for farmers, and the most expensive for taxpayers and consumers in U.S. history.

STRENGTHEN THE FAMILY FARM SYSTEM OF AGRICULTURE

What consumers and producers worldwide need is a U.S. farm program which moves toward strengthening the family farm system of agriculture. The program should raise the loan rate to cost of production plus a reasonable profit.

FAVOR EXPANSION OF CRP

We favor the expansion of the Conservation Reserve Program as an overall supply management tool. We ask support for the Disadvantaged Farmers Act, currently being drafted, which would help stem the loss of minority-owned farms. And I will sign off. He is hurrying me here.

Thank you.

[The prepared statement of Mr. Christison appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Your whole prepared statement will be part of the record.

Ladies and gentlemen and Senator Bond, I want to thank you very much for this opportunity. You know, I am not a farmer. I talk about my tree farm and we consider it a successful year if we limit the losses. It is like the farmer who wins the lottery, and they ask what he is going to do with all that money. He said I love farming so much, I am going to keep right on farming until the money is all used up. That is about the way we operate.

But I have the responsibility of guiding a farm bill through the Congress with the help of, I think, probably the best committee in the Senate, made up of the best Senators in both parties. And that responsibility is one I take very strongly or I would not be here. I would be in Vermont today if it was not for the sense I have concerning that responsibility.

I want to see farms, the diversity we have on our farms, diversity geographically, as well as in commodities, continue in this Nation. It is part of our security. We cannot have agriculture in just one section of the country. It has to be everywhere. We cannot have it limited to just one or two kinds of crops. We have to have the diversity that we as Americans rely on. And we have to make it in such a way that it is not a case where the farmers are just a diminishing and disappearing breed but one where this could be an economically viable as well as an emotionally viable way of life. It is never going to be an easy life. You ought to at least be able to pay your bills. You ought to be able to look your sons and daughters in the eye and say if you want to continue on in this proud and great American tradition, you can do it.

And lastly, as I said earlier, we are the wealthiest, most powerful Nation in the world. We also have a moral responsibility to our citizens to make sure they are fed. We have a lot of hungry people in this country. A lot of people are hungry through no fault of their own.

We look at the enormous productive capacity that this Nation has. We have to ask in our own hearts do we really live up to the moral goodness of this great and wonderful country that we have that kind of hunger in this Nation?

I think those of you who produce the food and fiber of our Nation know the answer to that very simply. And so we will have a very strong component in the area of nutrition and feeding, whether it is women, infants, and children [WIC] straight through to every other feeding program in this farm bill. It is integral to what we are able to do in this Nation. There should be no hunger in this Nation of ours.

We also have a great responsibility in the other parts of the world and we can carry that out there, too. We are blessed more than any other nation in our ability to feed ourselves.

I think if we do a good job in the farm bill, we tap what is best in America. And so it is really going to be something that speaks to what is best in America. I have a great deal of faith in it, Kit. I think you do, too. I think we will get a good farm bill.

Thank you very, very much. [Applause.]

Senator Bond. I want you to join me in a standing ovation here in just a minute, and I appreciate the fact that the crowd already has that in mind.

I know you are going to have to run, but I wanted to express thanks, first, to all of you who came today. This is a very proud day for me. The entire Nation should see firsthand the diversity of Missouri agriculture, the people who are here as individual farmers, as representatives of private organizations, voluntary groups, formal commodity organizations. While we are here from various branches of government, these are the people that make agriculture in Missouri so interesting and successful.

My sincerest thanks to all of you.

If any of you have written statement, please bring them forward to Chris. She will accept them here right afterwards. We do want to get in as many of these ideas as possible and have a chance to review them.

I would like to say a special thanks to Clyde Cassidy of the Vo-Tech School for the hospitality. I knew a Vo-Tech School would have a way of turning up the air-conditioning. I am proud of the ingenuity.

Thank you so much for all the efforts you have made. I would like to thank again the Agriculture Committee staff, my personal in-State staff and Washington staff for their arrangements, and particularly to Charlie Kruse, who is representing Governor John Ashcroft here today, for his participation.

But my sincerest thanks, Mr. Chairman, goes to you, Senator Fowler and the Senate Ag Committee for coming to Missouri to hear firsthand why Missouri has such a vital interest in agriculture.

To give you something to remember Missouri by, this is only a small token of what we produce in Missouri. We cannot get a walnut tree on the airplane, and I am not sure that you Marcelle can keep the catfish alive—[laughter]—but we want you and Marcelle to have some summer sausage, honey, and wonderful champagne mustard to enjoy. This is on behalf of Charlie, the Governor, and myself. We trust that you will enjoy it.

Thanks so much for coming to Missouri

The **Chairman**. Thank you very much. [Applause.]

[Whereupon, at 4:39 p.m., the committee recessed, to reconvene at 2 p.m., Thursday, August 17, 1989, Youth Inn, Iowa State Fairgrounds, Des Moines, Iowa.]

[Material submitted for inclusion in the record follows:]

APPENDIX

PREPARED STATEMENT OF EDWARD NIERMAN, MID-AMERICA DAIRYMEN, INC., CONCORDIA, MO

Mr. Chairman, the dairy industry in the 1990's will be an industry at the crossroads. The 1990's is the decade that theoretically takes us from the past into the mythical future of the 21st century.

Several key dairy policymakers have publicly suggested that that is what the 1990 farm bill debate is all about—how the dairy industry should position itself for the 21st century.

In reality, the debate on dairy policy in the 1990's will be a continuum of the past. The super cow and high-tech are already here, and more will come before the turn of the century. While it would be wonderful to believe that policy enacted in the 1990's will be so enlightened and perfect that no future changes in it will be needed in the 21st century, that is not what history teaches us.

Therefore, we can make predictions about the dairy industry in the 1990's by examining the past and current dairy policies. We can plan for the future by accepting the lessons of the past.

The farmer/members of Mid-America Dairymen, through their cooperative, are prepared to provide the leadership to take the dairy industry into the 1990's and beyond. Before we get to the future, let's review the recent past.

The early eighties made the dairy industry appear to be riding a veritable "roller coaster" as legislation of the 1981 farm bill and all the subsequent legislative adjustments were made in search of stabilizing supply and demand.

Interest rates, the value of land and machinery, and many other economic factors played a major role in the cyclical obstacles facing the dairy industry and dairy policy.

This economic instability had caused many agricultural policies to become hitched to a swiftly speeding Federal cost bandwagon. With the advent of the 1985 farm bill, a major supply adjustment mechanism was implemented to pull dairy from the wagon, and set it on a course toward a balanced market.

The whole-herd buyout of the 1985 farm bill, together with increased stability of prices, has left the dairy industry in a very near-balanced supply/demand situation.

In the first 6 months of fiscal year 1989, the Commodity Credit Corporation has purchased less than 24 million pounds of cheese. In comparison, the amount of cheese purchased by the CCC in 1988 was nearly 184 million pounds during the same period.

Similarly, the CCC has not purchased a single pound of nonfat dry milk since July of 1988, while in the first half of FY 1987 the CCC had acquired over 243 million pounds of NFDM, and during that same period in 1988 the CCC had bought 231 million pounds of nonfat dry milk.

Which leads us to the present. Current USDA purchases of nonfat dry milk have been completely eliminated, and buying of cheese by the CCC has all but stopped. Market price is above support price, and a balance of volume seems at hand, yet farmers are still fearing a price cut at the end of this year.

The reason is simple albeit a technical one; yet it will cost the dairy industry millions, and possibly knock the industry out of its fragile balance of volume. Explaining this dilemma requires looking at how the USDA adds up purchases of dairy products.

The USDA triggers support price up or down, based on the CCC's purchase of dairy products in **Milk Equivalent** terms, only. Because the USDA's calculation is based on butterfat, *any* purchases of butter add up to a price cut in a hurry.

This butterfat myopia may cause the USDA to price cut the dairy industry, which for all intents and purposes is balanced on a solids nonfat basis, right back on to the unstable supply/demand roller-coaster of the past. Clearly, this is an issue which must be closely examined in preparing for the omnibus farm legislation.

We all know that *budget* is the key word in all legislative considerations today. Yet we are currently operating a dairy price support program that is threatening to upset a fragile balance, which is clearly not budgetarily responsible, Mr. Chairman.

Furthermore, dairy producers have *already* made very substantial contributions to lowering the budget deficit. In the past 6 years, dairy farmers have paid $2.2 billion into the Federal Treasury.

We have been willing to do our share. Already this year legislation has been passed concerning the butter/powder price paid by the CCC which will save $35 million during this fiscal year and the next.

Our program costs have dropped more than those of the other commodity programs and we think it is simply unfair for the Congress to continue to seek deeper cuts in the dairy program for FY 1990.

With all of this in mind, the members of the Mid-America Dairymen are ready to begin building a consensus within the dairy industry for the 1990 farm bill.

The 18 dairy producers of the National Commission on Dairy Policy spent 18 months answering the very questions which we all must resolve in order to produce workable dairy policy and legislation.

The Commission's report makes some very noteworthy points which will be essential in any future dairy plan, and can be viewed as the first important step in developing a consensus.

The importance of maintaining the dairy price support is the first case in point.

Mid-Am supports the Commission strongly in this regard, and also agrees with the report's recommendation that a supply control mechanism should be made permanent for use when price changes alone are not the best option.

The Commission also stressed the importance of maintaining the intent of the Agriculture Act of 1949 in using the CCC to balance the supply of dairy products, and view all other use of products as secondary.

It further endorsed using a specified formula to set and adjust the support price of milk, and asserted the importance of protecting the section 22 import limitations on dairy products.

These are all points that I believe as a dairy farmer are important, and will play a vital role in any dairy legislation this committee considers.

Mr. Chairman, in mentioning section 22 quotas, another matter of importance to the dairy industry comes to mind, in which Congress is currently involved.

The current round of negotiations on the General Agreement on Tariffs and Trade is focused on opening up world agricultural trade as the answer to the problem of maintaining farm income. This leaves dairy farmers in a vulnerable position.

The U.S. dairy industry, like in most other nations, is domestically oriented. The type of free trade being talked of in the U.S. proposal concerns me because there is a danger that we will be looked to, as we were in the Tokyo round, as a source of concessions for other areas.

This is something that Mid-Am is strongly opposed to, and it was also condemned in the National Dairy Commission's report.

Dairy farmers view solving the budget dilemma, working out a new farm bill and the many other items on the national agenda as opportunities. However, these are opportunities *only* as long as the dairy farmer's will be heard by Congress, and we believe that is the key to the decisionmaking process.

Thank you for the opportunity, Mr. Chairman, to appear before your committee.

PREPARED STATEMENT OF HAROLD F. CLARK, SUMNER, MO

The Food Security Act of 1985 is pretty much an extension of all the farm programs for the past 50 years. All farm bills have been controversial and few, if any, have lived up to expectations.

I think that there is a better way to subsidize agriculture. I favor the much discussed decoupling. Basically, this is a direct payment to the farmer with no production controls. This will allow the farmer to produce for the market and his conservation plan. This is not a new idea. It was last brought forward by the American Soybean Association late in the writing of the 1985 act. The A.S.A. delegates liked the concept, but it had been brought up with too much haste and not enough thought. Surprising enough, the direct payment did not have the stigma that it once did. Also, the no mandatory set-aside feature was accepted by most people. This indicates that our thinking and standards do change. During the Great Depression, when the first farm bill was enacted as a temporary measure, F.D.R. had to implement the Public Work Administration in order to get money in the hands of starving people because they would not accept a direct payment. Contrast that with the Conservation Compliance provision of the 1985 act which states that if you do not comply, you are not eligible for any Government benefits.

Decoupling is a major policy change. How do you make the subsidy fair? When the subsidy to the farmer was made by subsidizing the commodity produced, this resulted in a political struggle between commodity groups. This was in no way fair to all farmers. If you do not use the commodity, but rather make a direct payment to the farmer, you need a common denominator to base this payment on. One school of thought is that you could use the established yields of the commodity as an index. This is a start in the right direction; however, these yields are usually established on the best acres in the farm and in some instances have been influenced by local politics. I think that a better method would be to relate it to the land. The modern soil survey classifies all land into eight general and many specific classifications and identifies them on a soil map—a map that all farmers will be familiar with as they have to use this to comply with Conservation Compliance provisions of the 1985 act. This would be an unbiased and standard guide, understood by farmers and administrators anyplace in the United States. I view this as important.

Now that there are no bases, quotas, allotments, or price supports to control what is produced, the farmer will grow the crop best suited to the soil and conservation plan and most profitable in the marketplace. This means that the Government will no longer own a supply of stocks and this will worry many of the policymakers. A supply is important. The farmers will maintain a supply because no matter how high the price, some farmers will not sell all and no matter how low the price, some farmers will sell some. However, for long-term supply management, certain conditions will have to be met. There are 13.6 billion bushels onfarm storage and 9.6 billion bushels commercial storage available, but for the farmer to be able to utilize this on the long term, he will have to have available a very low interest recourse loan that can be treated by the IRS in the same manner the CCC loans are now allowed. Without this option, long-term storage may compound his tax position to the point that he could not provide the supply. This would be a small cost to Government and supply could be controlled somewhat by interest rates, etc.

This is not a market distorting subsidy, and would put us on better ground when we ask other countries not to subsidize the commodities they produce. Another feature is that the cost of the program could be easily determined.

Major policy changes are difficult to bring about. Farmers in the heart of the Corn Belt, where a 400 acre corn base may use up their $50,000 limit, may oppose change. Some wheat farmers may be comfortable, and about all of the more minor commodities seem to fare very well under the present program. However, many many farmers nationwide are getting short changed.

I think that decoupling is workable, fair, and has a lot of merit. I hope you will consider it in the 1990 farm bill.

PREPARED STATEMENT OF BLAKE HURST, CORN/SOYBEANS, WESTBORO, MO

Over the past 10 years, soybean acreage in the United States has dropped by over 16 million acres, while South America has rapidly increased her output of soybeans. In fact, some estimates of the 1989 South American crop place it nearly as high as our drought damaged harvest in 1988. This change is a direct result of U.S. farm policy. In the Corn Belt, beans are more profitable than corn whenever the ratio of bean to corn prices is greater than 2.5 to 1. Although relative market prices have signaled a shift to beans for several years, corn acreage has remained stable while bean acreage in the South and other marginal areas has dropped precipitously. Farmers have aggressively protected their corn base because the farm program subsidizes corn at $3 per bushel, while guaranteeing only $5 per bushel for soybeans. Last spring when the market was screaming for more soybeans, farmers continued to plant as much corn as Uncle Sam would allow. After all, profitable soybean prices may only last 1 year, but cuts in a farm's corn base, like herpes, last forever. The same thing is happening again this year. As Gene Johnston points out in a recent Farm Journal article, soybean prices increased over $2 from last spring to this spring, but prospective plantings increased only 5 percent.

Much of the same thing has happened to oats. An article in the Wall Street Journal last year documented the decline in oats acreage due to better returns available to farmers from more heavily subsidized crops. My third point would address this problem. Acreage reduction programs, when necessary, should be directed toward a farm's total crop acreage and not just individual crops. A farmer participating in farm programs should not lose future farm program benefits if he shifts his crop mix in response to market signals. The shortage of oats this year was partially a result of an increase in consumer demand due to the newly discovered importance of fiber in the diet. Government programs, legislated 5 years at a time, cannot anticipate the needs of the American bowel and they shouldn't attempt to.

Farm programs protect farmers' incomes both through direct (or deficiency) payments and through rental payments for removing land from production. For equity reasons payments are limited to $50,000 per "person." Although more effective in principle than reality, the payment limits do impede efforts to control surpluses. I think a distinction needs to be drawn between direct payments and payments for land retirement: the former is a direct subsidy from the Treasury to the farmer, the latter a rental agreement between the farmer and the USDA. Direct payments should be limited to $25,000 per person. It is difficult to justify direct payments that can be twice as high as the median income and four times the poverty level for a family of four.

However, rental payments for retiring land should be outside the limits. After all, the farmer loses the production from the idled acres and the Treasury reduces the cost of storing large surpluses. In addition, for land retirement schemes to be effective they must involve large farmers. Recent farm programs have acknowledged this through the so-called Finley Amendment and exclusions from the payment limits that were part of the 1983 PIK program. We might as well face up to the facts and deal with larger farmers in a straightforward manner.

I have questioned here, and elsewhere, the rationale of programs that essentially tax one group of middle class citizens in order to subsidize another and I will continue to make that argument. However, as I said at the outset, the argument for a nonsubsidized agriculture has been lost for the present. With subsidies likely to continue, I think the steps I have outlined here will reduce the costs of farm programs and increase the ability of farmers to respond to market signals, while maintaining the income protection for agriculture that both farmers and the voting public demand.

The present farm program is essentially a system of huge export subsidies. This has had a salutary effect on both our exports and the treasuries of the EEC. Like the United States, the Europeans are unlikely to end agricultural subsidies, but the 1985 farm act has certainly raised the cost of their export dumping policies. We need to keep the pressure on them to adopt programs not as disruptive of international trade, both through the GATT negotiations and continued low commodity loan rates. Of course, low loan rates and PIK certificates have not left us completely innocent of export dumping either. So, the first step toward a more rational farm policy is to raise our loan rates slightly. Abner Womack of the University of Missouri has estimated that the long-term market clearing price of corn is around $2 a bushel. A $2 loan rate (with comparable rates for wheat and sorghum) would help protect us from charges of dumping grain at any price, but wouldn't provide incentives for farmers here or overseas to expand production.

Second, target prices must continue their downward path. Just as high loan rates are detrimental to our exports, high target prices lead to surpluses here in the United States. The main reason the cost of U.S. farm programs has skyrocketed since passage of the Food Security Act of 1985 is the large gap between loan rates and target prices. A slight increase in loan rates and a drop in target prices would move farm program costs back toward a more reasonable level. Now, this could easily go too far. Most of the progress we have made in export markets since passage of the 1985 farm bill can be credited to dropping the loan rates and the use of PIK certificates. If we raise loan rates too much in the hope of short-term budget savings, we could easily price ourselves out of the market again.

PREPARED STATEMENT OF RON MACHER, DIRECTOR, MISSOURI ALTERNATIVES CENTER, ALTERNATIVE AGRICULTURAL ENTERPRISES, CLARK, MO

Thank you for the opportunity to be here. I would especially like to thank Senator Bond and his office staff, who were instrumental in getting funding for the Missouri Alternatives Center, or MAC.

Any resident of Missouri may call or write MAC for information on alternative crops and livestock at no charge. MAC is a not-for-profit corporation designed to serve, facilitate, and supplement existing extension and government programs by providing a networking communications center for Missouri farmers on alternative crops, livestock, and other alternative rural enterprises.

MAC is cosponsored by Missouri Cooperative Extension, the Missouri Department of Agriculture, the Missouri Department of Conservation, Missouri Farm magazine, the University of Missouri College of Agriculture and the USDA Federal/State Marketing Improvement Program.

The MAC project got started in January of this year. In March we received our first publicity, resulting in 367 calls and letters from people asking a total of 624 questions.

These are some examples of questions we have received:

1. Information on raising frogs;
2. Information on raising buffalo;
3. A chemistry teacher retiring to 20 acres wants general information on what can be raised on a small acreage;
4. A pecan grower wants to know about possible markets for pecan waste;
5. A farmer wants information on converting a confinement hog house to a dog kennel;
6. An Extension agent asked me to give a talk on opportunities in alternatives;
7. Information on hydroponics;
8. Information on raising ostriches;
9. Information on catfish farming;
10. Information on raising crawfish;
11. The nutrient value of Shiitake mushrooms;
12. Farmers wanting to know how to become a certified organic food producer;
13. Information on raising and marketing elk;
14. How to start a home-based business; or
15. Are there markets for crops like crambe and amaranth?

While ostriches and earthworms might not be mainstream agriculture, we would do well to remember that only 60 years ago, the soybean was raised only for hay or as an ornamental in gardens.

Our technology and our agriculture system are changing so fast, and our need is so desperate, that we must open our minds to any viable alternative.

Rural development is anything that brings dollars into the rural community, which is inseparable from the farm economy. This is why rural development must begin at local levels, with projects like MAC, which was backed by Senator Bond.

Obviously, if all farmers were making a profit, there would be no need for subsidies. But the fact is, they are not, and we must arrive at solutions which are economically and environmentally sound.

I am not against corn, wheat, and beans, but the United States is no longer a least-cost producer. If we are to remain competitive in the world markets, we must develop added-value markets for these crops, such as biodegradable plastics from corn, which helps solve both economic and environmental concerns.

We must also develop new crops, like crambe, which helps reduce our dependence on oil-producing countries.

The Missouri Alternatives Center helps people to see these opportunities and makes available the network of resource connections that will enable them to make a decision.

Agriculture is this Nation's largest industry, with assets of $800 billion, or about 40 percent of the total capital assets of all manufacturing corporations in the United States. One out of five jobs in the United States is farm/food related. Our 2.2 million farms produce 2 percent of the gross national product.

Seventy percent of those 2.2 million farms are small farms. They are the majority, defined by the census as 178 acres or less and grossing $40,000 a year or less.

While some might argue that small farms produce only about 20 percent of the total farm production, that is today, not necessarily tomorrow:

1. Small farms are generally diversified;
2. Small farms receive little in the way of government subsidies;
3. Small farms frequently enter into processing and manufacturing farm products, thus furnishing jobs for the rural community;
4. Small farmers are better stewards of the land than absentee owners and investors; and
5. Small farmers furnish this country with children who have a work ethic and a value system.

The true economic picture and dollar value contribution of the small farmer and alternative crops and livestock are vastly underrated because of the way the agricultural census in conducted.

For instance, in Oklahoma, goats weren't included in the census. However, when they were finally included, it was discovered that Oklahoma had 70,000 Angora goats and 70,000 meat and dairy goats. Angoras, by the way, can gross $100 per head. That would mean $7 million on just half of Oklahoma's goats was being ignored.

Catfish in Missouri is another example. It is a $20 to $30 million industry and growing by leaps and bounds, yet this year was the first time it was included in the census. We produce 5 million pounds of food fish—but we eat 42 million pounds, which indicates lots of potential growth for this agricultural alternative.

Another agricultural alternative—horticulture products, flowers, trees and shrubs—had cash receipts amounting to more than the total receipts generated from tobacco, peanuts, rice, sugar beet, and cane crops. The horticulture crops receive no subsidies, but tobacco, peanuts, rice, sugar beets, and cane crops are all subsidized. Eighty percent of the cut flowers used in the United States are imported. We import 95 percent of the vegetables we eat in Missouri, many of which could be grown here. Here is tremendous potential for Missouri farmers. Yet we have only 6 horticulture extension people for the whole State, and a declining horticulture program at the University of Missouri due to lack of funding.

I don't believe that anyone has the God-given right to farm. However, everyone should have the opportunity to do so.

Prepared Statement of Russell Mills, State Conservationist, Soil Conservation Service, Columbia, MO

Mr. Chairman and members of the committee, I am Russ Mills, SCS State conservationist in Missouri. I am pleased to have this opportunity to review the conservation provisions of the Food Security Act (FSA) of 1985. I would like to summarize these activities after which my staff and I would be glad to answer any questions.

My summary will cover how the conservation provisions are working in Missouri; and Missouri's stake in these conservation efforts.

How the Conservation Provisions Are Working

The conservation provisions of FSA include highly erodible land conservation (sodbuster and conservation compliance), wetland conservation (swampbuster), and the Conservation Reserve Program.

Generally, implementation of these provisions is progressing well in Missouri. Missouri has about 6.4 million acres of highly erodible cropland. This is a large workload. We have completed virtually all of the highly erodible land determinations and are concentrating on completing the 54,531 conservation plans that Missouri's farmers need in order to meet the January 1, 1990, deadline date contained in the act. As of March 31, 1989, we have completed conservation plans for 72 percent of the 32,426 farms in Missouri. Working with our area and field office staff, we believe we can complete conservation planning by the deadline for those producers who have requested our assistance.

After January 1, 1990, we will need to assist an estimated additional 8,800 farmers to develop conservation plans on their highly erodible cropland. These plans will be developed as soon as soil survey information for their farms is available.

The alternative conservation system approach has helped tremendously in the conservation planning effort in Missouri. Many farmers are accepting conservation plans who otherwise would not.

Due to the large conservation compliance workload, we have limited our wetland determinations to FmHA borrowers and those USDA participants who at the time of USDA program signup indicated an intent to alter a wetland. As of March 31, 1989, we have completed wetland determinations on 65,059 acres of land. We are holding the balance of the requests for wetland determinations until after the January 1, 1990, deadline date for conservation compliance.

To implement the wetland conservation provision of FSA, we are planning to conduct a wetland inventory. Our inventory process will begin on June 1, 1989, for southeast Missouri, and on October 1, 1989, for the remainder of the State. When completed, this inventory will greatly reduce the amount of time required to make wetland determinations. In other States where the inventory process has been used, it has been effective in reducing farmer concerns and those of the general public about these new requirements. We plan to complete wetland determinations for all cropland fields and adjacent areas that have a potential for drainage by December 31, 1991.

CONSERVATION RESERVE PROGRAM

The Conservation Reserve Program has successfully retired 1.4 million acres (first through seventh signup) of Missouri's most erodible land from cropland for a 10-year period. The program is administered by the Agricultural Stabilization and Conservation Service with technical support from SCS. Slightly over 4,500 acres of this total were planted to trees. These Conservation Reserve Program contracts reduced erosion on Missouri farms by 26.6 million tons per year.

MISSOURI'S STAKE IN CONSERVATION

Missouri has developed a strong Federal, State, and local partnership in the conservation effort. In part, this has been successful because Missouri citizens enacted a sales tax that earmarks one-half of 1 percent for conservation programs, or about $20 million annually. These funds have strengthened conservation districts in Missouri both in terms of staff and cost share funds for conservation work. This effort has freed some of SCS resources for FSA work and has allowed many conservation districts to also redirect staff to help with the FSA workload. We appreciate these efforts on behalf of the Missouri Conservation Agency and Conservation Districts.

Thank you for the opportunity to be here today to discuss this important issue. Our agency looks forward to working with you for the reasonable and practical implementation of FSA. My staff and I would be pleased to answer any questions you may have.

PREPARED STATEMENT OF FRANK O. FARMER, DAIRYMAN, WALNUT GROVE, MO

Gentlemen: I am Frank O. Farmer, a dairyman from Route 2, Walnut Grove, Missouri. Our 200-acre farm has been in the family for 98 years. My son, Andrew, lives on and operates this farm. He has never had another occupation and never plans to as long as the U.S. economy permits him to be a food producer. The 1990 farm bill will have a great deal to do with this hope.

Permit me to begin my statement with my fundamental philosophy: All wealth comes from Earth in the form of raw materials, and of the new wealth that enters our economic system each year, 70 percent comes from agricultural production, the products of our farms and ranches. The other 30 percent is from mineral production, the products of our mines and oil fields.

As this production is monetized, so will the Nation prosper or suffer economically, and so will the Nation rise or fall. We have ceased to acknowledge this universal law and as a result, as of April 1, 1989, this Nation was in debt $2,727,976,358,396. Our debt is compounding at the rate of $28.7 million an hour. It is clearly unpayable and one day this distasteful and disgraceful fact must be acknowledged.

Meanwhile, however, we can begin to to survive this pending and inevitable economic catastrophe by starting at the foundation of our economy, agriculture, through some major and visionary reforms with the 1990 farm bill with which you are charged.

Although I could talk at length in this regard, I will not abuse the privilege of addressing this august body. I request permission to briefly address about five specific categories. They are:

A. The money crisis.
B. Rural Redevelopment.
C. Dairy farming.
D. Grain production and exports.
E. General philosophy.

THE MONEY CRISIS

Rural America is home to about 60 million Americans. It is the seat of the religious and social mores that form the foundation of American philosophy. Its economic production not only sustains 250 million Americans with nutritious food, it provides first stones inthe tax base foundation that underlays our entire society. In this decade, Federal farm policies have severely eroded this foundation, placing rural America in economic crisis, displacing hundreds of thousands of people and compounding already severe social problems in our metropolitan areas.

I am aware of the billions of Federal dollars poured into the rural economy through payments to farmers. I also deplore this fact, because with proper application of governmental policy our rural economy would be the strongest segment of our national economy and would be fueling the economic development of the other segments of our economy.

Despite these billions infused into the economy, the so-called "farm problem" has not been solved. These dollars are what I call "diarrhea dollars," because mostly these dollars pass through the farm body into the hands of lenders. In this manner, along with foreclosures and sales of farms, farm debt has been reduced from about $220 billion to approximately $160 or $175 billion—a vast improvement, to be sure.

But the full recovery of the rural economy after 8 years of nearly total neglect, and about 50 years of suffering underpayment for its production, has yet to occur. America's farmers and ranchers have not recovered, cannot recover and never will recover until the fundamental economic infrastructure is corrected and maintained.

This can only be done by proper pricing of our farm production. Given the reality of our cost structure, it is impossible for our farmers and ranchers to compete on the so-called world price level. We are well on the way of closing down our agricultural production system and turning it over to foreign producers because of the foolish belief we can, or should, "compete" with $1-a-day labor and cheap or free land in Brazil, for instance.

At present, prices for American farm production average about half of what is necessary for a full recovery of costs of operation plus the earned and justified profits for labor and investment. Could you operate at half your levels of income? Could any industry or business operate at 50 percent of its income without commensurate reduction in costs of production? Of course not.

But America's farmers are unique in several ways. First they are unique because of their dedication to their way of life—and do not try to shame us by saying it is not a way of life, but a business. We are aware of this. We conduct our business of farming as a way of life because we were born with an invisible umbilical cord to the Earth. We were born to farm, to care for animals, to feed, shelter, and clothe our fellow human beings.

Thus, we unabashedly ask for prices as equated by the parity yardstick, prices that equate to 100 percent of parity. Only in this way, coupled with all-out, full-scale production, can farmers earn the REAL income that can fuel this Nation's economy and begin to replace the debt-money system that is hurtling us down the tunnel of economic doom.

In a word, then, America does not have a "farm crisis," as such. What we have is an economic crisis, and we desperately need economic reform and a shifting of economic philosophy. Agriculture and rural America are merely the most visible effects of this great lack. Another visible effect? Look at the crumbling national infrastructure, the homeless on the streets and in city parks, and the overall public and private debt of the United States, estimated at $12 or $13 trillion.

On this broad statement then, please allow me to sketch some details.

There has been some acknowledgment in recent years of the crumbling rural areas, and much talk about redevelopment. But there has been precious little detail and no comprehensive plans laid for making rural America whole again.

Rural Development

Rural redevelopment must encompass the full gamut of social services and institutions we know at present and have known in the past. These include not only the rehabilitation of agricultural in its many forms, but the financial institutions, the educational and health care facilities; water, sewage and energy development.

I would plead with you not to include rural redevelopment in the 1990 farm bill, but to create a separate title for this most important aspect of legislation. As for money, there being an obvious monetary crisis in Washington, I believe with the proper approach, support of government, enabling legislation—plus a method—rural America can finance its own redevelopment.

We do not need borrowed money, or interest bearing debt, to do our job if we have a price for our production. That price can come by some simple device such as the Steagall Amendment to the War Stabilization Act that enabled America to fight and win World War II without inflation and without excess borrowing.

I urge you to call for an analysis of these war year economies, to study them, to see why we had prosperity without inflation, and why we created the 1960's exodus from agriculture and the crumbling of rural America. You will find the key to returning America to economic greatness and freedom from the economic bondage in which we now find ourselves engulfed.

It is my belief that virtually any rural community can have essentially the standard of living it desires with proper utilization of its natural resources. My plan begins with two heads: an economic analysis and a total natural resource analysis.

The former tells us where our money comes from and goes to and if we have a community deficit or surplus. The latter tells us the materials we have to work with.

As we extract our natural resources from the Earth, or grow them from the soil, we must learn to sell not raw materials, but finished products. We must learn to be self-sufficient insofar as possible. We do not ask foreign nations or industries to "come and build us a factory," for we do not need their help. We do it ourselves, we do it ourselves, we do it ourselves in the good old-fashioned American way as our forefathers intended for us to do.

If you are interested, truly interested, in this approach, I will prepare for you, in detail, how my plan for rural redevelopment can be achieved.

Dairy Farming

Now a few words on the dairy situation.

Milk is and always will be nature's most perfect food. We are blessed with a plentitude. Unfortunately, we have not, by either design or accident, discovered a way to match our consumption with our production. I suspect the lack is more by design than by accident, for it would be very, very easy to create a program of balance, thus assuring dairy farmers—the hardest working, most dedicated sector of our farm economy—adequate return for their labor and investment, and from the marketplace, not the Federal Treasury's borrowed money.

In 1982, I believe it was, the dairymen tried to make a deal with the Government; you buy the 5 billion pounds annually needed to feed the Armed Forces and fill your commitments by law, and give us the right to sell our product on the open market and dispose of our surplus as we see fit. That offer, the first type offer of any commodity group in history, was declined.

In its stead, then, came the Dairy Diversion Program, a program that despite its cumbersome mechanism, worked and would have continued to work if it had been extended for several years; and then by the whole-herd buyout, a fiasco if ever there was one, one whose success was negated even before it ended.

Give us, then, some type of supply management program. If nothing better, give us a return to the Dairy Diversion Program. Better yet, give us a two-tier pricing system. Modify the Milk Marketing Order System to prevent California dairymen from producing not for the market but the CCC and the Federal Treasury. Take away the publically irrigated water in California and I suspect you will find a lot of our milk production problem will disappear. Public water means cheap alfalfa. Cheap alfalfa means surplus milk. Surplus milk means tapping into the Federal Treasury and lower prices for dairymen who produce for a real and not a phony market.

As for bovine growth hormone, deliver us, please. Not only is the promised increased production not needed, I am convinced the public will not accept hormone-produced milk and our hard-earned consumption gains, funded by milk check deductions, will be lost. Furthermore, I do not trust the pronouncements of big business that bST is harmless, and I less trust the parallel pronouncements of our university scientist and USDA bureaucrats. I remember the advance optimistic pronouncements about thalidomide. Now I know about babies born without arms or legs. I know about ground water pollution by agricultural chemicals, now appearing 40 years after we were assured by scientists and these chemicals were harmless. Can we afford to wait and see if bST tainted milk will put hair on the chests of our girls and make our boys talk high-pitched? I think not.

I shall continue to rely on superior genetics, good feed and loving care to provide the milk production on our farm. I will never adulterate my cows with a synthetic chemical that violates the functions of nature and that will create a maze of nutritional and fertility problems to the animals themselves.

Also, let's figure out a way to level the dairy playing field. We have a foreign dairy operating in Georgia, competing with native dairymen handicapped by our own governmental actions. We have a Japanese investor coming to the Ozarks to put in a 1,000-cow dairy, thus usurping a market deserved by native dairymen. We have Dutch dairymen, who sell their land for $30,000 without a dairy base and $60,000 with a dairy base, coming to Texas and building 2,000 to 7,000 cow dairies and tapping into the dairy cooperatives built with the dollars of small, American dairy farmers. I deeply resent this foreign intrusion and the failure of our Government to protect our own citizens.

Grain Production and Exports

A few words about the concept of "decoupling." This ill-advised so-called solution to the farm problem is the greatest insult that could be heaped upon a proud and sovereign people. It is a welfare check that as proposed would decline over a period of time and then totally decouple the recipient from his land and dignity. It is an admission that the U.S. Government, with all of its might and powers, is impotent to solve the problems it has created.

I would respectfully suggest that we discard the failed policies of the past and begin to listen to those people on the land, who know the solution to their problems.

It is interesting to note that in all of the rhetoric that comes with a discussion of solving the farm problem, nothing, nothing whatsoever, is ever said about improving prices. Fair prices, not decoupling checks, will heal agriculture's ills—weather related disasters excepted.

Speaking of weather, it appears our weather crisis is not over. In our part of the country, we have this month had .14 of an inch of rain. Last year at this time we had .7 of an inch. Normal is over 3 inches. And yet, we are an oasis compared to most of the breadbasket and Corn Belt. Only God makes it rain. But we can and we should at the Federal level create a water supply program that would multiply our surface water sources 10,000 percent. By using simple techniques known to the U.S. Soil Conservation Service and visionary farmers, we could capture and hold water upland that would supplement our natural rainfall and greatly minimize or even eliminate our need for disaster programs caused by drought. Next to air, water is our most essential resource. Yet, we act as if it were expendable. I urge you to consider water conservation of highest priority in the 1990 farm bill.

EXPORTS

Last, a few words about exports. For most of this decade, 75 percent of our total food production has been used domestically. Thus, by all odds, the export market is a residual market. No nation on the move would ever import its foodstuffs, any more than you would buy your neighbor's tomatoes while your own rotted in the garden. Wars, political maneuvering, changes in governmental philosophy, monetary exchange rates and a host of other reasons can cause nations to change their import and export philosophies. To base a substantial portion of our farm policy on export markets is foolish in the extreme.

There is ample American market for all-out farm production in the United States, with utilization of all of that production as food, livestock, foodstocks for industry and, in the last resort, ethanol production. Not one dime should we export to Mideast oil producing nations when we have the capability of producing all the ethanol necessary for our Nation's vehicles—and clean up our air as well.

GENERAL PHILOSOPHY

In conclusion, philosophy is the basis of all my opinions and arguments.

The late Senator Hubert H. Humphrey had a sign on the door of his office some of you may recall: "You are never further away from agriculture than your next meal." Never before in history have so many been fed for so little by so few. Our farm families are America's greatest natural resource. Guard them as if your lives depended on them, for, indeed, they do.

Agriculture is the most noble art known to man. No civilization, no matter how technically advanced, can long endure except upon a firm foundation of agriculture. We need not repeat the mistakes of the Roman Empire. You, gentlemen, hold the key to another 200 years of glory in your hands.

Agriculture is our Nation's first line of defense. Our grandchildren will curse the bones of those who permit our food and fiber to fall into the hands of foreign powers or international food cartels.

What would our giants of the past—Washington, Jefferson, Jackson, Lincoln—what would they do if they were here today?

I think you know the answer to that question. They would without hesitation put America first, and in the forefront and on the pedestal of honor they would place the greatest American heroes—the farm families of the United States.

PREPARED STATEMENT OF ROBERT HITZHUSEN, MISSOURI FARM BUREAU, JEFFERSON CITY, MO

For the record, the Missouri Farm Bureau is a voluntary, general farm organization representing over 70,000 families in Missouri. We appreciate the willingness of the Senate Agriculture Committee to conduct field hearings on the 1990 farm bill in Missouri. We especially want to thank Chairman Leahy and Senator Bond for the opportunity to present the recommendations of Missouri Farm Bureau members on this very important piece of legislation.

Farm Bureau remains committed to improving net farm income and enhancing the economic opportunity for farmers. We believe this can best be achieved through a market-oriented agriculture with supply and demand rather than Government action determining production and price.

The Food Security Act of 1985 has been reasonably successful in meeting three of the major objectives supported by the Farm Bureau:

(1) Enhancement and support of farm income;

(2) Price competitiveness of U.S. commodities in domestic and international markets; and

(3) Voluntary stocks reduction programs.

In addition to these major objectives, Farm Bureau supported other provisions in the 1985 act which have led to greater conservation of our farm resources and programs to help regain foreign markets which had been lured away by heavily subsidized competition.

Farm Bureau members are for the most part supportive of the basic policy course charted for agriculture by the 1985 farm bill. They certainly prefer the current system of voluntary acreage controls coupled with aggressive export enhancement programs to any alternative system of mandatory acreage control programs. But, while our members are supportive of the direction of the current legislation, they believe there are areas in which it must be improved in the 1990 rewrite.

One particular topic that has generated extensive discussion in the Farm Bureau is the issue of greater planting flexibility. It has become clear that the current system of assigning bases and yields has prevented some farmers from responding to market signals as exemplified with the lack of soybean planting on restricted corn base acreage.

The current Federal budget debate also raises concerns relative to farm program legislation. We are concerned that the exaggerated perception of continued excessively costly farm programs will force additional savings from agricultural programs. These savings requirements could be disproportionate compared to those required of other programs and could lead to methods of achieving savings that prove to be ill-considered agricultural policy provisions. We believe that since agricultural program spending has been the fastest declining budget function in recent years, agriculture should be spared some of the drastic reductions that some seem to have planned for us. Farm program policy should be market driven, not budget driven.

Another important area which should receive additional emphasis in the 1990 farm bill is the need to develop and promote new products and new uses for agricultural products. We cannot afford to place all our efforts for expanded sales in the world markets. Increased competition and continued resistance by our trading partners to opening agricultural markets makes it necessary that we actively pursue new product development and new uses for agricultural products. This should include an increased commitment to value-added products as a means of improving net farm income and of increasing economic activity for rural communities.

With respect to environmental and conservation provisions included in the farm bill, we believe that well-intentioned objectives may inadvertently impose unacceptable requirements on production agriculture. We must guard against provisions that may require excessive regulatory oversight of farming practices, impose unrealistic and inflexible standards of performance and serve to undercut our ability to produce for the demand in the highly competitive world market. Provisions that impose significant increases in cost or limit the ability of our producers to use their resources effectively yet responsibly could cripple agriculture as we know it. It has been our experience that the best way to obtain cooperation from farmers and other landowners in conservation matters is through incentives for voluntary programs and not by trying to force compliance through regulatory action.

There are many other issues to be discussed and resolved in the 1990 farm bill debate including rural development initiatives, agricultural extension and research and export enhancement programs.

We urge members of the Senate Agriculture Committee to continue to seek the input and counsel of farmers and other rural residents as you work to resolve the numerous issues encompassed in the 1990 farm bill debate.

MISSOURI COURT OF APPEALS,
WESTERN, DISTRICT,
Kansas City, MO., May 11, 1989.

Hon. PATRICK J. LEAHY,
Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, DC.

DEAR SENATOR LEAHY: I am writing this to you as Chairman of the Committee on Agriculture, Nutrition, and Forestry in the United States Senate.

First, let me again thank you and members of the committee for holding a public meeting on April 25, 1989, at Platte City, Missouri. You received a good many valuable comments that day and I am sure your committee will weigh them carefully when drafting our new farm legislation.

I am enclosing herewith USDA form 502A, to which I eluded in my brief remarks before the committee. This is the day and age of the computer. Yet, the Agriculture Department continues to flood us with forms seeking additional information. The information requested by form 502A is generally available from information presently in existence.

Finally, I am concerned that a farmer loses his base by either not planting up his allowable acres or not entering the program in a particular year. He is being forced to accept USDA largesse.

A farmer should be able to, for instance, plant 100 percent of his land to soybeans even though he has a base for feed grain and not be penalized by losing a portion of his base. Of course, he would not participate in any USDA payments on feed grain in that crop-year.

In general, I feel the overall thrust of Congress and the USDA is well intentioned. I sometimes fear, however, that permitting so many nonfarmers to set the national policies for the United States largest industry is fraught with dangers.

Very truly yours,

ROBERT W. BERREY III.

Form Approved - OMB No. 0560-0096

CCC-502A
(09-21-88)

U.S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

FARM OPERATING PLAN FOR PAYMENT LIMITATION REVIEW FOR AN INDIVIDUAL

County

State

PROGRAM YEAR
19 ____

NOTE ➡ *The Agriculture Act of 1949, as amended, and the Food Security Act of 1985, as amended, authorize the collection of the following data which will be used in applying statutory payment limitation provisions. Furnishing this data is voluntary; however, without it we may be unable to establish your maximum eligibility for program payments. The data may be furnished to any agency responsible for enforcing these provisions.*

1. Producer's Name and Address

2. Identification Numbers

Social Security Number

Employer Identification Number

3. Citizenship

A. Are you a U.S. citizen?
☐ Yes, go to Item 4.
☐ No, complete Item 3B.

B. Are you an alien lawfully admitted into the U.S.?
☐ Yes, show the county office your Alien Registration Receipt Card.
☐ No, go to Item 4.

FOR COUNTY OFFICE USE ONLY
Was an Alien Registration Receipt Card shown?
Yes ☐ No ☐

4. Producers who are Minors

Are you under 18 years of age? **YES** ☐ (complete the following information) **NO** ☐ (go to Item 5)

Enter Your Date of Birth

Enter the name, address, and social security or employer identification number of your parents or guardians

Name of Your Parents or Guardians	Address	Social Security/Employer ID Number(s)
(1)		
(2)		

If your parents or guardians have any interest in a farming operation, complete the following for each parent or guardian

Name of Farming Interest(s)	Social Security/Employer ID Number(s)	County(ies) and State(s) Where Located
(1)		
(2)		

5. Farming Interests

Do you, your spouse, or minor children have any interest in a farming operation which is conducted under any name other than as listed in Item 1?

☐ Yes, I have other farming interests. (Complete Item 6)
☐ Yes, My spouse has other farming interests. (Complete Item 7)
☐ Yes, My minor children have other farming interests. (Complete Item 8)
☐ No, We do not have any other farming interests. (Complete Item 9)

6. Your Other Farming Interests

Enter the following information for ALL other interests you have in a farming operation. Go to Item 9 if your spouse or minor children have no other farming interest(s).

Name of Farming Interest	Employer ID Number of Farming Interest	County(ies) and State(s) Where Located

7. Other Farming Interests of Spouse

Enter the following information for ALL other interests your spouse has in a farming operation. Go to Item 9 if your minor children have no other farming interest(s).

Name of Spouse

Spouse's Social Security Number

Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Located	Was Farm Acquired Before Marriage and Kept Totally Separate?	
			Yes	No

This program or activity will be conducted on a nondiscriminatory basis without regard to race, color, religion, national origin, age, sex, marital status, or handicap.

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8. Children

Enter the following information for ALL other interests your minor children have in a farming operation, and go to item 9.

Name of Minor Child	Name of Farming Interest(s)	Social Security/Employer ID Number(s) of Farming Interest	County(ies) and State(s) Where Farming Interest(s) are Locate
			—

9. Land

Enter the following information for ALL land you own and/or lease. Furnish a copy of the land lease unless the contract for participation in the applicable program has been signed by the landowner/landlord. If ALL land in this farming operation is owned and operated by you, enter the farm number, County and State, check "Owned," and enter the cropland acres.

FARM NO.	County(ies) and State(s) Where Farm is Located	Enter "✓"			Name of Person Whose Land is Leased To and/or From	CROPLAND ACRES	RENTAL RATE (PER ACRE/ % CROP SHARE)	Enter "✓" if you had the same land interest last year
		OWNED	LEASED TO	LEASED FROM				

10. Capital

If you do not provide any capital for this farming operation, enter 0% and go to item 11.

What percent of the capital required for this farming operation do you provide? ________%

11. Equipment

A. Owned Equipment: If you own equipment and do not lease any, check "Owned" and go to item 12.

B. Leased Equipment: Enter the following information for ALL equipment you lease.

Enter "✓"			Percent of Total "Owned" & "Leased From" Equipment	Name of Person Whose Equipment is Leased To and/or From	Does the person whose equipment is leased to or from have an interest in your farming operation?	
Owned	Leased to another person	Leased from another person			Yes	No
			%			
			%			
			%			
			%			

12. Capital, Equipment or Land

If ALL land in your farming operation is owned and operated by you, after completing this item, complete item 15.

A. Were your contribution(s) of capital, equipment, or land acquired as a result of a loan?

☐ Yes, go to item 12B.
☐ No, go to item 13.

B. Was such loan acquired from or cosigned by an individual or entity who has ANY interest in this farming operation? (Such interest may be as a landowner or another tenant.)

☐ Yes, enter the following information: ☐ No, go to item 13.

Contribution	Name of Individual or Entity	Individual's or Entity's Interest in the Farming Operation

13. Labor

Enter the estimated percent or hours of labor required for this farming operation which is provided by you personally, hired laborers, or others.

A. What estimated percent or hours of active personal labor do you provide?

_______ % _______ hours

B. What estimated percent or hours of labor is hired?

_______ % _______ hours

C. Type and estimated percent or hours of other labor

Type	Percent	Hours
	%	
	%	
	%	

14. Management

Enter the estimated percent of the farming operation's total management responsibility and the type of managerial duties required for this farming operation which are provided by you personally or by hired management.

A. Active personal management. If you do not provide active personal management to the farming operation, go to Item 14B.

Enter the estimated percent of active personal management provided by you. __________ %

List the type of managerial duties performed by you:

B. Hired management.

Enter the estimated percent of hired management. __________ %

15. Person Status for Payment Limitation Purposes

I believe the information entered on this document and any supporting documentation supports a finding that I am a "person" actively engaged in farming:

☐ Separate and distinct from any other individual or entity

☐ Combined with ______________________________

(Name of individual(s) or entity(ies))

Remarks

16. Certification

I certify that all the information entered on this document and any supporting documentation is true and correct. I understand furnishing incorrect information will result in forfeiture of payments and the assessment of a penalty. I will timely provide written notification to the Agricultural Stabilization and Conservation committees for the county and State listed in Item 9 of any changes in this farming operation.

SIGN HERE ➡

DATE

DEFINITIONS

The following definitions shall apply to Forms CCC-502A, CCC-502B, CCC-502C, CCC-502D and this appendix.

1 **ACTIVE PERSONAL LABOR** - is personally providing physical activities necessary in a farming operation, including activities involved in land preparation, planting, cultivating, harvesting, and marketing of agricultural commodities in the farming operation. Other physical activities include those physical activities required to establish and maintain conserving cover crops or conserving use acreages and those physical activities necessary in livestock operations.

2 **ACTIVE PERSONAL MANAGEMENT** - is personally providing:

- A The general supervision and direction of activities and labor involved in the farming operation; or
- B Providing services (whether performed on-site or off-site) reasonably related and necessary to the farming operation including any of the following:
  - (1) Supervision of activities necessary in the farming operation, including activities involved in land preparation, planting, cultivating, harvesting, and marketing of agricultural commodities, as well as activities required to establish and maintain conserving cover crops or conserving use acreage and activities required in livestock operations.
  - (2) Business-related actions which include discretionary decision making;
  - (3) Evaluation of the financial condition and needs of the farming operation;
  - (4) Assistance in the structuring or preparation of financial reports or analyses for the farming operation;
  - (5) Consultations in or structuring of business-related financing arrangements for the farming operation;
  - (6) Marketing and promotion of agricultural commodities produced by the farming operation;
  - (7) Acquiring technical information used in the farming operation; or
  - (8) Any other management function reasonably necessary to conduct the farming operation and for which service the operation would ordinarily be charged a fee.

3 **CAPITAL** - consists of the funding provided by an individual or entity to the farming operation in order for such operation to conduct farming activities. In determining whether an individual or entity has contributed capital to the farming operation, such capital must have been derived from a fund or account separate and distinct from that of any other individual or entity involved in such operation. Capital does not include the value of any labor or management which is contributed to the farming operation. A capital contribution may be a direct out-of-pocket input of a specified sum or an amount borrowed by the individual or entity. With respect to a farming operation which consists of more than one individual or entity:

- A Such capital which is contributed to meet the requirements of 7 C.F.R. Part 1497.6 (b) must be contributed directly by the individual or entity and must not be acquired as a result of a loan made to:
  - (1) The farming operation in which the individual or entity has an interest;
  - (2) Such individual, entity, or farming operation by the farming operation or any of its members, beneficiaries or related entities; or
  - (3) Such individual, entity, or farming operation, which was guaranteed or secured by the farming operation or any of its members, beneficiaries or related entities.
- B Such capital which is contributed to meet the requirements of 7 C.F.R. Part 1497 (d) must be contributed directly by the individual or entity and if acquired as a result of a loan made to the individuals or entities, such loan must be a loan bearing the prevailing interest rate.

4 **ENTITY** - is a corporation, joint stock company, association, limited partnership, irrevocable trust, revocable trust, estate, charitable organization, or other similar organization including any such organization participating in the farming operation as a partner in a general partnership, participant in a joint venture, a grantor of a revocable trust, or as a participant in a similar organization.

5 **EQUIPMENT** - is the machinery and implements needed by the farming operation to conduct activities of the farming operation including machinery and implements involved in land preparation, planting, cultivating, harvesting or marketing of the crops involved. Equipment also includes machinery and implements needed to establish and maintain conservation cover crops or conservation use acreages and those needed to conduct livestock operations. With respect to a farming operation which consists of more than one individual or entity:

- A Such equipment which is contributed to meet the requirements of 7 C.F.R. Part 1497.6 (b) must be contributed directly by the individual or entity and must not have been acquired as a result of a loan made to:
  - (1) The farming operation in which the individual or entity has an interest;
  - (2) Such individual, entity, or farming operation by the farming operation or any of its members, beneficiaries or related entities, or
  - (3) Such individual, entity, or farming operation, which was guaranteed or secured by the farming operation or any of its members, beneficiaries or related entities.
- B Such equipment which is contributed to meet the requirements of 7 C.F.R. Part 1497.6 (d) must be contributed directly by the individual or entity and if acquired as a result of a loan made to the individuals or entities, such loan must be a loan bearing the prevailing interest rate.
- C Such equipment may be leased from any source. If such equipment is leased from another individual or entity with an interest in the farming operation, the equipment must be leased at a fair market value.

6 **FAMILY MEMBER** - The term "family member" means an individual to whom another member in the farming operation is related as lineal ancestor, lineal descendant, or sibling, including spouses of those family members who do not make a significant contribution to the farming operation themselves.

7 **FARMING OPERATION** - is a business enterprise engaged in the production of agricultural products which is operated by an individual or entity which is eligible to receive payments, directly or indirectly.

8 **LAND** - is farmland consisting of cropland, pastureland, wetland, or rangeland which meets the specific requirements of the applicable program. With respect to a farming operation which consists of more than one individual or entity:

- A Such land which is contributed to meet the requirements of 7 C.F.R. Part 1497.6 (b) must be contributed directly by the individual or entity and must not have been acquired as a result of a loan made to:
  - (1) The farming operation in which the individual or entity has an interest;
  - (2) Such individual, entity, or farming operation by the farming operation or any of its members beneficiaries or related entities; or
  - (3) Such individual, entity, or farming operation which was guaranteed or secured by the farming operation or any of its members, beneficiaries or related entities.
- B Such land which is contributed to meet requirements of 7 C.F.R. Part 1497.6 (d) must be contributed directly by the individual or entity and if acquired as a result of a loan made to the individuals or entities, such loan must be a loan bearing the prevailing interest rate.
- C Such land may be leased from any source. If such land is leased from another individual or entity with an interest in the farming operation, the land must be leased at a fair market value.

All other terms utilized in this form shall be defined pursuant to 7 C.F.R. Parts 1497 and 1498.

Public reporting burden for this form is estimated to vary from 1 to 16 hours per response, including time for reviewing instructions, searching existing sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, D.C. 20250; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

CCC-502A Instructions (09-21-88)

U. S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

INSTRUCTIONS FOR COMPLETING FORM CCC-502A, FARM OPERATING PLAN FOR PAYMENT LIMITATION REVIEW FOR AN INDIVIDUAL

Blocks and columns are referred to by the item number or letter corresponding to those on CCC-502A. A "Remarks" section is provided on the last page of this form for any remarks you may need to include and may be used if additional space is needed for any item. Supplemental sheets may also be attached if there is not enough room in the "Remarks" section.

In the top right hand corner, enter the county and State for which this form is being completed and the current program year.

Item 1 Enter your name and current mailing or street address.

Item 2 Enter your Social Security number or employer ID number. If you have both types of ID numbers, enter both.

Item 3A If you are:

A. A U.S. citizen, check "Yes" and go to item 4.
B. Not a U.S. citizen, check "No" and complete item 3 B.

Item 3B If you are:

A. An alien lawfully admitted into the U.S., check "Yes" and show the County office your Alien Registration Receipt Card. You must display this card to be considered an alien lawfully admitted into the U.S. for the purposes of this program.

B. Not an alien lawfully admitted into the U.S. or a U.S. citizen, you are required to provide a significant contribution of active personal labor, land, and capital to the farming operation, in addition to other requirements, to be eligible for certain program benefits.

Item 4 If you will be under 18 years of age as of the applicable status date of this program year, enter the requested information. Be sure to enter information for both of your parents or guardians and if they have both types of ID numbers, enter both.

If either of your parents or guardians have ANY interest in a farming operation, enter information with regard to your parents or guardians farming operation on the line number [(1) or (2)] corresponding to the line number of the parents name.

Item 5 If you, your spouse, or any of your minor children have any other farming interests, check the applicable box and complete the applicable sections of this form. If neither you, your spouse, nor any of your minor children have any other farming interests, check "No" and go to item 9.

Item 6 For each additional farming interest you have, enter the requested information.

Item 7 For each additional farming interest your spouse has, enter the requested information.

If your spouse's farming interest was brought into your marriage as a separate operation AND has been kept totally separate from any of your farming operations, check "Yes" in the applicable box, otherwise check "No" in the applicable box. To be considered "totally separate," all aspects of your farming operation, including financing and records, must be kept distinct from your spouse's operation.

Item 8 For each additional farming interest any of your minor children have, enter the requested information.

PREPARED STATEMENT OF JEFF MCFADDEN, RICHMOND, MO

Committee members: In order to formulate an agriculture policy we must first establish goals for agriculture and then develop a policy which furthers these goals.

Agriculture policy as expressed in the next farm bill should serve to ensure national security by providing a means to feed ourselves during times of national emergency. Wars, natural disasters, and hostile economic actions, such as oil embargoes, have the potential to disrupt the networks which supply vital materials to, and distribute food from, large centralized farms. These emergencies have a great potential to disrupt the supply of fuels and electric energy.

Agriculture policy should also provide opportunity for the largest possible number of Americans to own or work on farms if they so choose, thereby enhancing rural economies and reducing the strain on our overburdened and decaying cities. This was a central part of the American dream from our Nation's birth to World War II, and it is still a worthwhile goal.

These two goals are compatible; a national food system based on a large number of small farms serving consumers through widely distributed local markets is resistant to disruption in times of emergency and would offer opportunity for many Americans to participate in the national economy as producers.

Current farm policy tends to support large, centralized operations and to discriminate against small farms, to the point that today there are only a handful of self-supporting small farms—farms which 35 years ago would have been average sized—left in the country. This creates an illusion of efficiency and high productivity, but results in a rural economy which is in shambles, unable to support basic services such as schools, hospitals, or even farm supply stores. One large farm may be able to feed thousands of people, but 1 farm family, or even 10, can hardly support a hospital or school.

There has been much energy and money spent, and there are bills pending in Congress, to create rural economic development, but there has been little focus on the one industry uniquely adapted for rural operation. Small-scale agriculture can provide the manpower and distributed customer base which a healthy rural economy needs better than any other industry.

The next farm bill could further these goals, but only through a courageous departure from existing policy. The farm bill should:

(1) Reopen markets closed during the last 50 years. Many living Americans, few of whom are still supporting themselves through farming, remember when much of their day-to-day income came from the sale of dressed chickens, eggs, milk, cream, and butter. All of these markets have been closed to individual producers in the name of sanitation and health, yet consumers don't feel that they have been well protected and farmers have been greviously hurt. The risk of disease from chickens and eggs has never been greater than the current hazard posed by antibiotic resistant salmonella, and many people are dissatisfied with the quality of these other products. The Federal Government should open these markets again, without requirements for costly specialized facilities, and allow consumers the right to choose for themselves between the risk of farm-produced foods and the risk of factory-produced foods.

(2) Allow farmland values to reflect actual farm earning capacity and land supply and demand by releasing for sale all lands foreclosed by Government lending agencies and currently held off the market.

(3) Encourage small-scale, high-density farming by selling lands released in step (2) to individuals in 80 acre parcels, or at most 160 acre parcels, with contract restrictions which prevent their rapid reconsolidation into large holdings. It is true that most of the farmsteads which would make these parcels usable have been destroyed, but this would be a great boon to the manufactured housing industry.

(4) The next farm bill should eliminate any subsidy which tends to give large producers a competitive advantage over small producers. Current subsidies are so small per unit of production that no farmer can survive by subsidized production on a modest acreage, yet a man whose net worth already includes a few thousand acres of prime farmland can receive what Dr. Harold F. Breimeyer of the University of Missouri gently calls "checks with lots of zeroes on them." This is a strange twist on a free economy, and a strange way to define economies of scale.

No low-cost, unsubsidized farmer can hope to compete with a high-cost farmer whose costs are underwritten by the deep pocket of the Federal Government.

If there is no equitable way to help the small producer without helping his wealthier competitor more, then halt all subsidy. If markets are open the small farmer will survive.

(5) Finally, the next farm bill should include a national right-to-farm act. Nationwide, many farms are being put out of business by spreading cities, restrictive zoning, nuisance lawsuits, and taxation of farmland at higher commercial or residential values. Some States have addressed this problem with a right-to-farm bill which guarantees that no operating farm can be zoned, reclassified for tax purposes, or nuisance sued out of business for normal farm operations. Any American willing to invest in agriculture should have this same protection.

Thank you for your consideration.

Prepared Statement of David Baldwin, Missouri Secretary and Treasurer, American Agriculture Movement, Family Farmer, Wheeling, MO

I want to thank Chairman Leahy and the members of the Senate Agriculture Committee for the opportunity to appear here today to present my views concerning the 1990 farm bill. My name is David Baldwin and I'm a family farmer from here in Missouri.

I believe very strongly in the importance of maintaining the family farm system of agriculture in this country. We need a program which will return profitability to the hundreds of thousands of hard working family farmers that comprise the backbone of American agriculture.

In the simplest terms, farmers must receive a fair price from the marketplace for the commodities they produce. Commodities should be priced on the USDA parity index to assure that farmers receive a fair return on the labor and capital they invest in their farming operations. When farmers are paid a fair price, they can protect the land and natural resources by engaging in sound environmental farming practices, and still provide a decent standard of living for their families.

Wheat, Soybeans and Feed Grains

The first ingredient of a successful farm program, and the keystone of the 1990 farm bill, needs to be higher prices for commodities. Congress has an excellent opportunity now, with post-drought prices remaining above CCC loan rates, to raise loan rates to assure that commodity prices do not once again fall below the cost of production.

The USDA parity index is the best reference for fair pricing levels. To reflect the improved efficiency of farming operations over the years, I would recommend that CCC loan rates be set at 70 percent of parity. This would assure that farmers are no longer left in the untenable position of having to sell crops for less than the cost of production.

Supply Management

Another ingredient of any successful farm program is a system for managing the supply of commodities, to avoid years of price-busting overproduction. As we approach the 40 million acre target Congress has set for the Conservation Reserve Program, the size of the annual set-asides required to manage the supply of commodities will be smaller. Nonetheless, some control over the numbers of acres planted, and the numbers of bushels coming to the market, is absolutely necessary.

The 1990 farm bill should include provisions which allow some flexibility in planting decisions. Importantly, a farmer should be allowed to rotate crops without a loss of base. This would encourage traditional farming practices to replace nitrogen in the soil, and require less use of fertilizer. The current farm program does not permit crop rotation.

Too often in the past, the debate has been side-tracked over whether the system of supply management should or should not be mandatory. In reality, our current farm programs are mandatory for the vast majority of farmers; the economics of the marketplace have made it mandatory that farmers participate in the programs, and set-aside the required acreage.

The real issue is not whether the program should be mandatory, but how the supply should be managed in order to provide an adequate supply of food while avoiding large Government outlays for CCC storage and forfeitures.

Rice and Cotton Programs

I would support a continuation of the current rice and cotton marketing loan programs. They are working reasonably well for producers.

Congress should consider one change in these programs which would be helpful to produces. The loan rate should be raised to the target price. This would eliminate the payment limitation problem which many producers currently face.

DAIRY

Congress should make some changes in the current dairy program which benefits farmers in certain areas of the country at the expense of farmers in other areas. To create a fair and workable system, Congress should consolidate the current system of 44 Federal milk marketing orders into 1 national milk marketing order; should eliminate the annual 50 cent reduction in price based on Federal purchases and should adopt a system of pricing based on parity pricing and supply management.

ENVIRONMENTAL CONSIDERATIONS

The new farm bill should include provisions to protect the ground water from contamination from farm chemicals, to encourage crop rotation, and to encourage less intensive farming.

One idea I believe has special merit, and which has been proposed by the American Agriculture Movement, is the creation of a 3-year Soil Restoration Program (SRP) under which a farmer could enroll up to 30 percent of his eligible acres in a 3-year program, temporarily taking those acres out of production, without loss of base. The SRP would take those acres out of production, without loss of base. The land would be seeded in a legume nitrogen-fixing cover crop, and the farmer would be paid an annual rental payment, similar to the CRP program. This would allow the land to be restored to a healthy state naturally, would assist the farmer who might want to make the switch to less intensive farming methods, and would establish a forage reserve available in time of drought.

We also must do more to protect our ground water from farm chemical contamination. Those of us who live in rural America depend on ground water for our drinking water, and it's absolutely necessary that we protect this most important of natural resources.

In most cases where it is determined that ground water contamination is occurring, the problem can be resolved by better management practices. In those few situations where, because of sandy soil, sink holes, or other soil conditions, it may be necessary to remove some acreage from production to protect the community's drinking water, those acres should automatically qualify for enrollment in the CRP program. In that manner we can meet our legitimate environmental needs and still treat the individual farmer fairly.

The environmentally threatening practice of farming fence row to fence row is the natural result of the policy of cheap grain contained in the 1985 farm bill. Farmers were economically forced to plant every available acre, and to maximize fertilizer and pesticide use, to try to recoup in volume what they had lost from lower prices. The single most important step which this committee can take to encourage sound environmental practices is to establish a fair price for commodities, and to implement a system of supply management based on bushels rather than acres.

It might be appropriate to have an environmental impact study on any new agriculture policy. The grain embargoes of years passed has caused the continuing destruction of the rain forests of South America which is contributing to the greenhouse effect we have today.

COUNTRY OF ORIGIN LABELING

I would also urge this committee to include in the next farm bill a requirement that all imported agricultural produce be labeled as to the country of origin.

Producers in most other countries simply do not operate with the same restrictions on pesticide use as do our producers in the United States. Because less than 1 percent of the shipments of agricultural produce entering this country are inspected, there is currently no protection against the use of dangerous pesticides on imported produce, and results of those limited inspections clearly indicate that a high percentage of imported produce—especially much of the Mexican produce—does contain residue from pesticides banned in this country. To continue to allow this produce to be sold is unfair to our producers, and more importantly, unsafe for our consumers.

Clearly Congress needs to require a more extensive inspection and testing program for agricultural products entering this country. FDA inspectors on the Mexican border, for example, only work a 5-day week; the other 2 days, there is simply no inspection. Mexican producers and shippers line up for miles to bring their produce across the border on the 2 days when the inspectors are not there. This situation is intolerable, and must be fixed.

To pay for the cost of more extensive inspections, the United States could charge a user fee on those producers who import produce. Farmers in this country pay user fees for various governmental services, and importers could do the same.

In addition to the improved inspection procedures, Congress needs to require that consumers be provided the basic information concerning the country of origin to permit them to make an informed choice at the supermarket. We are not suggesting that imported produce be banned; simply that it be labeled as to the country of origin. Then if a country develops a reputation for sending us unsafe produce, the American consumer can decide whether or not he or she chooses to buy products from that country.

COMMODITY CHECK-OFF PROGRAMS

There have been proposals from several national commodity groups for commodity check-off programs covering the producers of their commodities.

I would urge the committee to support these commodity check-off programs, so long as they include the following three items:

1. The program must be subject to an affirmative vote of a majority of the producers before it becomes effective;
2. The program must provide a simple provision for a producer to receive a refund, upon request; and
3. The program should apply to all points of sale of the commodity in its raw, unprocessed condition, including grain traders and commodity speculators, as well as producers.

SIMPLIFY PROCEDURES

Congress should include provisions in the 1990 farm bill to simplify the procedures and paperwork required of farmers to participate in the farm programs. Producers should not have to hire a lawyer and an accountant to go to the ASCS office. Today a producer is forced to spend an enormous amount of time and too much money dealing with the USDA regulations, recordkeeping, and procedures. Surely there must be a way for Congress to simply this paperwork so a farmer can spend his time farming instead of dealing with the Government bureaucrats.

SUMMARY

As this committee begins the process of formulating the 1990 farm bill, the primary goal should be to develop a farm program which continues to provide a bountiful, safe, and affordable supply of food for our citizens, and for much of the rest of the world, while allowing family farmers to earn a fair living. These goals can both be achieved.

The cheap commodity philosophy which was the centerpiece of the 1985 farm bill has been a disaster. We've lost tens of thousands of family farmers because of low prices, while spending billions of taxpayers dollars subsidizing the international grain companies. Congress has the opportunity now to change course, and to return family farm agriculture to a profitable state. We urge this committee to shape the next farm bill with the welfare of American farmers and consumers in mind.

PREPARED STATEMENT OF BILL CHRISTISON, PRESIDENT, MISSOURI RURAL CRISIS CENTER, CHILLICOTHE, MO

Good afternoon and welcome to the State of Missouri. My name is Bill Christison, a family farmer from Livingston County. My wife and I own and operate a 2,000-acre combination grain and cattle farm. I am president of Missouri Rural Crisis Center, a statewide grassroots farm and rural organization.

The State of Missouri ranks third nationally in the number of "hunger counties," all rural. The cutback in the Temporary Emergency Food Assistance Program, specifically the loss of dairy products, has taken needed protein out of the diets of poor people, many of whom are rural residents. These cutbacks were made at the same time that dairy farmers were being taxed 50 cents per hundredweight for overproducing. We support increased funding of the TEFAP program, and recommend not just a temporary refund of the 50-cent tax as drought relief, but a continuation of such.

Missouri ranks third nationally in topsoil erosion and second in the number of low-income farmers. This is not a product of "poor managers"—it is a result of poor farm policy at the Federal level which has forced farmers to plant fence row to fence row in an attempt to produce enough quantity to make up for low prices. While farmers have been receiving less for the raw materials they produce, consumer food prices have gone up, we do not need an extension of the Food Security Act of 1985, the most disastrous farm program for farmers, and most expensive for taxpayers and consumers in U.S. history, while at the same time profits of the 10 largest grain and food processing corporations in the United States have risen between 513 percent for Conagra, the biggest corporation, and 80 percent for the 10th largest, Borden. This is a result of a farm policy which favors a corporate farm economy. U.S. farm policy needs to be written by Congress; it should not be left in the hands of GATT negotiators, whose purpose is to progressively lower prices to farmers around the world.

What consumers and producers worldwide need is a U.S. farm program which moves toward strengthening the family farm system of agriculture. This program would raise the loan rate to cost of production plus a reasonable profit, using mandatory supply management to balance supply with demand. The Federal Government has held grain reserves over farmers' heads as the reason for low prices, but, as the drought of 1988 has shown—and what seems to be shaping up to be the drought of 1989 may show— reserves need to be looked upon as a necessary component of a secure and stable food supply.

We favor expansion of the Conservation Reserve Program as part of an overall supply management system. The sod and swampbuster provision, on the other hand, needs to be applied with some flexibility to allow for practical considerations in an individual's farming operation.

We ask support for the Disadvantaged Farmers Act currently being drafted, which would help to stem the loss of minority-owned farms and increase ownership by providing additional programs and services within the U.S. Department of Agriculture. FmHA should be adequately funded to meet its historical mandate—more funds for direct operating and farm ownership loans. Even though FmHA's provisions of the 1987 Agriculture Credit Act are stronger than those of the Farm Credit System, lack of adequate test trials nationally and training for county supervisors in implementing the provisions has caused uneven and incorrect results. FmHA's implementation of the 1987 Agriculture Credit Act needs to be thoroughly reviewed to ensure compliance.

Elections of FmHA county committee members should be handled in the same way as elections to ASCS county committees.

The Farm Credit System's debt restructuring and other borrowers' rights provisions under the 1987 Agriculture Credit Act contain many loopholes which the system is using to deny farmers. We recommend stronger and tighter language and a right-to-sue provision as part of any farm bill.

Because many farmers have been helped by the chapter 12 bankruptcy provisions, we want to see an extension of the sunset provision of the act.

We would like to encourage each of you to be a sponsor of legislation being introduced next week by Senator Bond and Senator Conrad which would resolve the tax complications of debt restructuring brought about by the 1987 Agriculture Credit Act.

Thank you for your time and continued efforts.

Prepared Statement of Lowell Schachtsiek, Executive Vice President of the American Agriculture Movement of Missouri, Family Farmer, Northeast, MO

I want to thank Chairman Leahy and the members of the Senate Agriculture Committee for the opportunity to appear here today to present my views concerning the 1990 farm bill and the weakness of the 1985 farm bill.

My name is Lowell Schachtsiek. I am executive vice president of the American Agriculture Movement of Missouri. I am a full-time family farmer from northeast Missouri.

What concerns many farmers in my area is the lack of price protection under the 1985 farm bill. If the weather had been normal in 1988 instead of a drought, the grain couldn't be given away. With loan rates being lowered each year, many of us have real concerns about the future of agriculture as we have known it in the past.

I feel that it is more reasonable to raise loan rates to at least the cost of production. If loan rates were raised, the Government would not have the extreme exposure to deficiency payments as it had in 1987, thereby helping to balance the Federal budget.

Farmers, I feel, don't want a check from the Government, but a fair playing field.

What also concerns us is what we hopefully may gain in the 1990 farm bill may be taken away in future GATT agreements. If the world market for soybeans is $4.50 and $1.50 for corn, who wants it? With low export prices, the value of the fuel and chemicals to produce a bushel of grain is worth more than the dollar value this country receives on the world market, not counting the soil we lose to produce the grain.

Another concern is that the 1990 farm bill will help the small livestock producer who does not produce his own grain. Under the present farm bill, he basically receives no protection. For food security in this country, we don't need to lose any more farmers.

We in the American Agriculture Movement feel that faulty ag policies in the past have not only bankrupted American farmers, but have displaced many family farmers in Third World countries. World hunger organizations, such as Bread for the World, have stated that the dumping of grain in Third World countries causes poverty and instability. We need to develop a world view in this country that is compassionate to all peoples of the world.

In closing, let me say that although we in the American Agriculture Movement are critical of the 1985 farm bill, we feel that it is Government's responsibility to be involved in agriculture to ensure healthful food at stable and fair prices. We want to work with Congress in the upcoming farm bill debate.

Prepared Statement of Merle Doughty, Farmer, Jamesport, MO

I believe U.S. agriculture is heading in a direction no one wants to go. In the last 8 years, we have gone through a deflationary period, I doubt any industry could survive. Total assets in agriculture went from $1.2 trillion in 1981 to $600 billion in 1986. Of course, there were a lot of farmers that never survived. And of course, neither did the Farm Credit System, numerous farm banks, FmHA, and also remember, every major machinery company in the United States except one, went broke. Keep in mind all of this took place while the rest of the economy was inflating another 40 percent.

Here's an idea of what has happened to machinery sales during the 1980's: Farmers purchased 139,000 tractors over 40 horsepower in 1979—1988, 52,000 tractors over 40 horsepower. In 1979, farmers purchased 32,246 combines. In 1988, 5,995 combines. Sometime, and before long, we have to make enough profit to replace our worn out machinery.

Economists and other experts try to tell us we are coming out of our tough times—getting better and stronger. You see charts and figures in magazines showing us paying down our debt. Yet it's a fact that over one-half of that change in debt is because it has been written off. Over one-half of our net profit is from Government subsidies. Experts tell us we made more dollars profit last year than ever. Do you realize they are comparing 1973 dollars with 1988 dollars? Dollars have inflated over 300 percent since 1973!

The loan rate has been lowered to way below the cost of production and then prices driven even lower with that great invention—the PIK certificate. Feeding needy and hungry people at below our cost of production can certainly be justified, but I don't see any justification in selling food to developed nations such as Western Europe, the Soviet Union, Japan and others at below our cost of production. Not only are we breaking our farmers, but our Nation as well by contributing to the balance of trade deficit. Plus, by lowering world grain prices, we are also hurting Third World nations that depend on grain exports to service their debt.

Experts say we have to meet world food prices. Yet we know world food prices are made right up in Chicago at the Board of Trade. And the biggest influence is in Washington, DC. Just a rumor out of Washington can send markets up or down the limit. We are the world's residual food supplier. We're stuck with that as long as we play politics with our food supply, allow exporters to slug our grain exports and do not show proper respect to our customers.

Some say we are going to run the farmers in other nations out of business, but look who's going out of business—the American farmer. South American farmers make money on $5 soybeans, while many farmers in the United States go broke. Farmers in Canada and Europe have less than one-half the debt we have here.

We all know we have a cheap food policy here in the United States. I can justify that. I believe with our abundant production here in America that consumers are entitled to a good food supply at a reasonable price. I also believe farmers are entitled to a reasonable profit. I think they have to have it if the family farm as we know it is to survive.

An economic unit now is so large and complex that few family farmers have the ability to manage and finance this large a unit. And we are being forced into even larger units—and land into fewer and fewer hands. Any nation throughout history that allowed this to happen later regretted it.

A lot of people now believe we should get the Government out of agriculture. I don't think we can or should. As long as we have the capacity to overproduce, we will overproduce. With the free market system determining production and prices, food prices would have tremendous highs and lows that the American consumer couldn't and wouldn't stand for. Enter the Government into agriculture again. These wild and unpredictable swings in prices are also disasterous to farmers with the enormous investments we have today in production agriculture.

A favorite statement now is "farm programs don't work anyway." I say farm programs have been phenomenally successful. Two percent of our population not only feeds the rest of us—we feed much of the rest of the world. How did that happen? I think there is more going on here than good climate, rich soil and hardworking farmers. We had all that 50 years ago and all we got were dust bowls and disasters. The difference lies in a wide range of Government-sponsored programs—Federal research grants, county agents to educate, State experimental farms, rural electrification and irrigation projects, soil conservation funding, crop insurance, export credits, price supports and acreage controls. Does all of that sound like something the most productive and efficient food machine in the world wants to get out of?

What we are dealing with here is food. Not some consumer product we can get along without if we have to. People have to eat every day. We are what we eat. Surely, we can find a way to allow the people that produce this necessary commodity a decent living.

PREPARED STATEMENT OF HUBERT BENDT

I believe the whole agricultural program should be changed.

I don't mean all at once.

Yes, we need control of production. In a respectful and fair way, also price control because the program we have had for the past 40 years or longer doesn't seem to be working for the economy as a whole.

If it is working, why then are we in so much trouble? That covers more than farming. Let me give you an example of our latest method of farming: no-till. About 20 years ago we started making throwaway plowshares, like everything else—throw away more trash. Now we say throw away the plow!

Go to no-till and save the soil. I don't quite know what no-till means. Today what I see in no-till is to go in with chemicals, burn down everything that is green, spray with pesticides to kill all living things, fertilize with more toxic materials, then plant and hope for a good crop.

What is more important, a good crop to harvest, or having our streams, ponds and water polluted along with the air we breathe? What does it do for the environment with that type of farming?

Yes, there is a better way of producing enough food for human and livestock needs.

The first thing is to find out who is a farmer. Second is to know what a farmer's duty is to the soil and livestock. I am open for any questions, now or later.

The PIK Program is a detriment to the economy as a whole.

No, we don't need to go back to the horse and buggy days. Modern machinery and ways lead to a better way of life and health. We just need to be in balance with the economy of the country.

With the survey of the Government, I think you don't get true facts about the farmer.

I would like to run a survey. My questions would be:

(1) How long have you owned your farm?

(2) What crops have you been planting and how many acres?

(3) How many acres have you had in Government programs, and how many years? How much money have you been paid?

(4) Do you do the farming yourself or rent out your cropland? Do you live on a farm?

(5) What is the average yield per acre of crops?

And then put in some catch questions.

PREPARATION FOR THE 1990 FARM BILL

Commodity Programs and General Legislation

THURSDAY, AUGUST 17, 1989

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Des Moines, IA.

The committee met, pursuant to notice, at 2 p.m., in the Youth Inn, Iowa State Fairgrounds, Des Moines, Iowa, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy and Harkin.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. If we could come to order.

I'm Patrick Leahy. I'm the chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, calling this meeting to order.

This is a regular meeting of the Senate Agriculture Committee. Some of you if you watch C-Span or other programs or just the actual news, you'll see these Congressional committees meeting in Washington. Ours is a very ornate room with great crystal chandeliers and marble columns and fireplace and all of that. Some of the committee rooms have existed since the repair work was done after the British burning of the Capitol in 1814.

You should know, though, that those committee meetings are no different than the committee meeting being held here. We simply have changed the venue, at the request of Senator Harkin, who asked if we could hold this hearing out here in Iowa so some people who might not have a chance to attend in Washington and testify in Washington could come here.

I thought Senator Harkin had an excellent suggestion, and I agreed to it because in a few months our Congress is going to start to decide several key policy issues that are really going to have a most serious effect on the way all of us farm anywhere in America.

Some of the issues, of course, could have an actual impact. Some are going to be more parochial and affect one or two crops in a particular area of the country, but all of the issues will make up what we call the 1990 farm bill.

Now, that bill will, in many ways, set the stage for what agriculture will be in the United States as we go into the next century. Because of that I want to hear from people directly, those who will be most affected by it.

So we've been to Vermont, Alabama, Mississippi, Arkansas, and Missouri, as we prepare this fall for the 1990 farm bill. The hearing held here in Iowa will be the only hearing you will have out here in the Midwest. So it was particularly welcome when Senator Harkin made the invitation to come here. In fact, it was also arranged for an open microphone session afterward. so others can talk, and I think that's a good thing to do.

If I could just be personal for a moment, Tom Harkin and I came into Congress at the same time; he in the House and I in the Senate. We've both served on the Agriculture Committee ever since then. We've worked on agricultural issues now for about 15 years. One of the things I like about Tom is that he is willing to look at not just the problems at the moment, but on down the road, open corn markets, American products, assisted in American beef to be used on an overseas basis, renewed research for agricultural products.

He is also one of the rare Members of the Senate to serve on both the Senate Agriculture Committee and the Senate Appropriations Committee. Of course, he's also on the Agriculture Appropriations Subcommittee. He's very wise to do that because he wants to make sure all the money comes out here, one-two punch, because my friend, Chuck Grassley, is also on that subcommittee. Tom, you and Chuck make a pretty formidable pair. I don't know of any other State that is able to have a Member of each party on an appropriations subcommittee and be covered on all bases.

We recently, as you may have read, passed the Rural Partnerships Act of 1989 in the Senate, to help new and struggling businesses in rural America. This act also brings the new age of communication to our rural schools and hospitals, and assists small communities in providing safe drinking water to our children. Tom Harkin is one of the people that helped write that bill. The final bill put in a provision to address the emergency water needs of Iowa and rural communities across the Nation.

The disaster relief bill that was signed by the President on Monday of this week and included provisions that Tom Harkin insisted be in there. He insisted that it not affect just one type of farmer, but also would cover all of the Iowa farmers who were left out of the original disaster farm bill.

Of course, this fall as we go into the other issues involving the farm legislation and the nutrition legislation, Tom, as chairman of the Subcommittee on Nutrition and Investigations, will have to carry the whole load for that. I'm pleased to see that because, like me, he agrees that hunger is more than a political issue and economic issue. It's a moral issue. We're the wealthiest, most powerful nation in the world. We're able to feed ourselves and have food left over. Because of that we should have a commitment to make sure the hungry of America and the hungry of the other parts of the world are fed.

With that I would like to turn it over to Senator Harkin for any comments he might want to make. And, Tom, I'm going to turn the gavel over to you and let you call the witnesses.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA

Senator HARKIN. Mr. Chairman, thank you very much and thank you for taking time from your busy schedule to come to Iowa today. Senator Leahy got up this morning on his farm in Vermont to fly out here and be with us today.

Mr. Chairman, I've heard you say on many occasions, that the most important thing you've done with the Agriculture Committee is get it out into the countryside and listen to people firsthand so we can see and hear what is going on. You've done a great job of getting the committee out of Washington into the rural parts of America, and I for one am most appreciative of you doing that. It takes a lot of work, a lot of effort, a lot of your personal time, and I'm just extremely grateful for that.

Senator Leahy is out here today to hear what you have to submit and to have a formal hearing of the Senate Agriculture Committee. I want to thank you for that and for the strong leadership that you've shown, your care and patience in dealing with pieces of legislation that affect all of us in Iowa. The recent disaster assistance legislation that you were able to pull together all of the different parties, keep us together for the long hours working out these agreements and getting Senate approval of the rural development initiative which I know you've worked on for a long time. Both of these are very important to Iowa and rural America. So much work lies ahead on the specifics of new farm legislation.

Some of the major issues are beginning to take shape. It's always been my view that the most important goal of any farm bill is to achieve adequate levels of farm income. Ideally that income should come from the marketplace, but when the market does not supply sufficient farm income, I believe our Government has a role to play in helping to sustain our American system of family farm and food production. And maintaining adequate farm income in the face of a severe budget crisis will be perhaps one of the toughest and most critical challenges we've ever had in any farm bill.

I would, however, remind our urban cousins that for fiscal year 1989—I want you all to understand this is fiscal year 1989—commodity programs will take up only about 1 percent of total Federal payments. In 1970 commodity programs accounted for 2.5 percent of Federal outlays. So when people say, "Agriculture, you're getting too much Government money," we're getting a lot less of the total Federal outlays today than we did even in 1970. So I think we have to understand that.

I also believe the new farm bill should allow farmers greater freedom to make their own planting decisions without being penalized by a farm program, which have generally locked farmers into planting program crops such as corn in order to maintain their program crop base.

This flexibility would allow farmers to respond to the market and would also reduce a penance for adopting practices such as crop rotation, that improve crop production and provide environmental benefits. Planting flexibility should bring more diversification into farming operations and encourage livestock enterprises. We want to make sure that our farm crop programs do not discriminate against farmers involved in diversified crop and livestock operations.

Conservation and environmental issues will be very important in the next farm bill, and we're going to hear a lot of environmental concerns about the practices of our farmers. There are problems, and while we do have to protect the environment, we also have to recognize that farmers must maintain profitability and productive efficiency.

Mr. Chairman, I know I'm going hear some good testimony today. What I hope is that we have some time for the open microphone toward the end of the hearing and if there's anybody out there, who would like to testify I welcome your suggestions and your input. All I would ask at that time is that you give us your name and address and go ahead and make a statement or ask a question if you would like.

So with that, Mr. Chairman, again thank you for bringing the Agriculture Committee meeting to the best State Fair in the country and best agriculture fair.

Our first two witnesses are the Honorable Dale Cochran, Secretary of Agriculture for the State of Iowa and Dr. Neil Harl, distinguished professor in agriculture and economics from Iowa State University.

Mr. Chairman, Secretary Cochran has a long and distinguished career in the State of Iowa. He's a family farmer himself, and operates a farm not too far north of here, near Eagle Grove. He has spent 22 years in the Iowa Legislature and has served as Speaker of the Iowa House for 4 years. So, he has a very distinguished political and public service career behind him and also one that's very actively involved in farming, in all aspects. So we're delighted to have him here to lead us off.

Dr. Harl is no stranger to anyone here in the room and is certainly no stranger to either you or me, Mr. Chairman, because we always look for his very insightful and incisive wisdom when he comes in to talk about the economic structure of agriculture and what our farm bills mean to farmers, not only in Iowa, but across the country, and we're just very privileged and proud to have you here.

So with that, Mr. Secretary, welcome to the Senate Agriculture Committee, and we'll make your prepared statement a part of the record in its entirety and ask you to proceed however you wish.

STATEMENT OF DALE M. COCHRAN, IOWA SECRETARY OF AGRICULTURE, DES MOINES, IA

Mr. COCHRAN. Thank you, Tom.

CHART THE FUTURE COURSE FOR AMERICAN AGRICULTURE

Senator Leahy, Senator Harkin and distinguished guests. It really is a pleasure for me to be here today with you at the Iowa State Fair, which is really the showcase of Iowa's rich agriculture traditions. You are to here to begin to chart the future course for American agriculture. Yet before we can move ahead to an agricultural system that guarantees stable income for farmers, safe and wholesome food for our citizens, environmental protection of our resources, and an emphasis on rural development, let's step back for a moment and see where we've been so we can see where we really need to go and build upon that, if we might.

1980'S DIFFICULT DECADE FOR AMERICAN AGRICULTURE

Unquestionably, the 1980's have been a very difficult decade for American agriculture. Since 1980, our State alone has lost 14,000 family farms. The result can be recognized as you drive through the countryside and see what's happened to our rural communities from that devastation of our farmers.

1985 FARM BILL

The Food Security Act of 1985, which is better known as the 1985 farm bill, restored some measure of financial stability to agriculture. The 1985 law has provided some major benefits, but there are areas of needed improvement. At the time it was passed, that stability was essential to our farmers because the marketplace had failed us. The marketplace has failed us so badly since the 1985 act was passed that more than half of our farmers' net income has had to come from Government payments in order for our farmers to survive; more than half are Government payments, because we have had a marketplace that has failed us.

FARMERS STRUGGLE WITH CONDITIONS OVER WHICH THEY HAVE NO CONTROL

Farmers struggle with conditions over which they have no control, as we all know. Far too many times the marketplace has failed us because of worldwide market conditions, foreign government subsidies, overproduction, or control by strong, private economic interests such as large, international grain conglomerates.

There are some, including our current U.S. Secretary of Agriculture, who are saying that the current level of farm income protection should be reduced to the $3 billion to $4 billion levels of the 1970's. They're saying agriculture cannot afford to break the bank and that farmers need to do their share to reduce the Federal budget deficit.

You don't hear Secretary Cheney calling for cuts in Pentagon spending to the levels of the 1970's, do you? Nor do you hear Secretary Kemp asking that the budget for HUD be cut back to the early 1970's levels. No, you don't. As House Agriculture Committee Chairman Kika de la Garza remarked recently, the people at HUD can steal more during the lunch hour than our farmers receive all year. I think that's important to remember, because it's a fact. [Applause.]

EVERY DOLLAR THAT ENDS UP IN THE HANDS OF OUR FARMERS TURNS OVER SEVEN TIMES IN OUR ECONOMY

Let me remind you that agriculture already has done far more than its share and it's time that we as agricultural leaders stand up and be advocates for our farmers and not be so apologetic. Every dollar that ends up in the hands of our farmers turns over seven times in our economy creating new jobs and new tax revenue for our treasuries, State and Federal.

COST OF SUPPORT PAYMENTS IS DOWN—TRADING COMPETITORS ALL SUBSIDIZE THEIR FARMERS MORE HEAVILY THAN WE DO

This year the total cost of support payments to farmers will be about $11 billion compared to $26 billion in 1986.

And we are not the only Nation providing subsidies to farmers. In fact, our trading competitors all subsidize their farmers more heavily than we do.

In Japan, for example, the average farmer collects up to 60 percent of his income from subsidies, while in the European Economic Community up to 40 percent of farm income comes from government treasuries. The individual American farmer simply cannot compete against the combined treasuries of foreign governments.

PERCENTAGE OF INCOME SPENT ON FOOD

In return for the income protection we provide to our farmers, our citizens enjoy the lowest food prices anywhere on Earth. The average American spends only 13 percent of his or her disposable income at the grocery store.

Compare that with the French, who spend 20 percent of their disposable income on food; the Japanese, who spend 22 percent; the Soviet Union who spend 37 percent of their income on food, and the people of India, who spend 56 percent of their income on food.

Which would the consumer prefer—cheap food and high subsidies to farmers, or forcing families off the farm by taking away those subsidies and replacing them with large corporations, which could bring about high prices at the food counter? I submit the consumer will pick low prices and family farmers.

MAINTAIN THE DEFICIENCY PAYMENTS PROVIDING A SAFETY NET BY MAKING UP THE DIFFERENCE BETWEEN THE MARKET PRICE AND A TARGET PRICE

The centerpiece of the 1985 act featuring deficiency payments and providing a safety net by making up the difference between the market price and a target price is a feature that needs to be maintained. However, I would suggest we talk in terms of setting the target price at the 1986 level and then working hard to bring the market price up. Consequently then, the target price is the market price, and you don't have to pay out near as much in the deficiency payments.

The new farm law not only must protect farmers' incomes, but must work to raise them by making the United States a more aggressive marketer, especially of value-added agricultural products, which will yield far more income and jobs for our people and take pressure off our financial assistance program. This could provide a higher share of income in the marketplace and in turn would reduce the taxpayer's burden as has been pointed out.

RESTRUCTURING OUR CROP INSURANCE SYSTEM

We could also take some of the pressure off the financial assistance program by restructuring our crop insurance system to give the farmer more options to better protect his investment against elements beyond his or her control. I call upon Congress to carefully study our present crop insurance program and come up with a major overhaul that will provide farmers with security that the present program does not offer.

PLANTING

Farmers also must be given more freedom to decide what and how much they will plant so they can respond to market demands, rather than be forced to maintain base acres of program crops in order to participate in Government farm programs. This acreage-based program has no relationship to world demand for commodities and discourages farmers from diversifying their agricultural production.

ASSISTANCE GOES TO THOSE WHO TRULY NEED IT

I think also that our new program must take steps to make sure Government assistance goes to those who truly need it, and that's our small and medium size family farms. I believe too many people, too many farmers have circumvented the $50,000 ceiling that we've had in the past. By dividing up their farms, they've been able to get $50,000 here and $50,000 there. That's a loophole that we must, in my opinion, take care of. [Applause.]

RURAL DEVELOPMENT

The new law must place a heavy emphasis on rural development. This should include job placement, infrastructure, industrial development, particularly industrial development incentives to encourage value-added industries in our rural areas.

NATURAL RESOURCES

Farmers are willing to take the lead in preserving and enhancing our Nation's natural resources. But they must be given a chance, and they must be given the financial tools to do it.

IMPROVE WATER QUALITY AND REDUCE EROSION

The new farm law must provide for additional research to improve water quality and reduce erosion. It must also give the Environmental Protection Agency more resources to determine the safety of all agricultural chemicals.

CRP—LET'S NOT LOSE IT

One of the best features of the 1985 farm act was the Conservation Reserve Program. Let's not lose it. Let's improve it.

The 1985 farm law began in earnest the task of taking environmentally fragile and highly erodible land out of production. Unfortunately, it does not address the issue permanently.

In as little as 7 years from now, Government leases of some of those fragile lands that were enrolled in CRP will expire. This could mean that some of those lands will return to crop production, unfortunately. I urge the committee and Congress to include in the 1990 farm law provisions to keep the most sensitive land out of production permanently and to provide financial assistance to implement soil and water conservation practices, particularly tree planting.

Assuring the safety of our food chain has to be of paramount concern of all Government farm programs as well. It seems incomprehensible to me that the chemicals banned for use in the United States because they are dangerous to our health are allowed to come into this country in food from foreign countries and we consume them here. That has to be stopped. If a chemical is too dangerous to use here, it certainly must be too dangerous to be used elsewhere and then get into our food chain.

FARM SAFETY

One other area that I would like to address is the issue of farm safety. Farming is America's most dangerous occupation. The new law must include funding for research into new types of equipment and practices that will make farming a safer occupation and to fund a nationwide educational effort to show farmers how to operate safely.

American agriculture stands poised to assure our future generations a safe and reliable food supply in a clean environment.

In return, we must provide our farmers an attractive business environment that assures them that their hard work will be profitable and a quality of life that makes our rural areas attractive places for our future generations.

Senator, I thank you very much for this opportunity this afternoon. [Applause.]

[The prepared statement of Mr. Cochran appears at the conclusion of the hearing.]

Senator HARKIN. Mr. Secretary, thank you very much for an outstanding statement, one that I'm going to be quoting from for some time from now.

And we next turn to Dr. Neil Harl. Dr. Harl, your statement will be made part of the record.

Again, we welcome you, once, again, to the Senate Agriculture Committee hearing, and please proceed as you so desire.

STATEMENT OF NEIL E. HARL, CHARLES F. CURTISS DISTINGUISHED PROFESSOR IN AGRICULTURE, DEPARTMENT OF ECONOMICS, PROFESSOR OF ECONOMICS, IOWA STATE UNIVERSITY, AMES, IA

Dr. HARL. Thank you, Senator Harkin and Senator Leahy. I'm pleased to be here to testify before the committee.

THREE POINTS—BUDGET COSTS, AGRICULTURE'S DEBT LOAD, AND GLOBAL VIEW TO FOOD AND AGRICULTURE POLICY

Today I would like to emphasize three points in focusing on the financial condition of agriculture and the implications for the new farm bill.

First, the budget costs of the 1985 farm bill, and a supplemental comment to what you said, Senator, relative to the costs as a percentage of Federal spending; the second to look at agriculture's debt load, the distribution of that debt load and what that means to us in terms of income needs; finally, I would like to direct some comments to what I view as the importance of a global view to food and agriculture policy. I think we're to the point where the global dimensions have become very, very important, and we need to consider those aspects.

UNIQUE CIRCUMSTANCES OF THE 1985 FARM BILL

I think that any review of the impact of the 1985 farm bill should address the unique circumstances in which that bill actually functioned.

In my view, the Food Security Act of 1985 made very important contributions to the financial health of U.S. agriculture. Agriculture was going through one of the most traumatic periods the sector has known; problems of too much debt, too concentrated, and problems of overproduction.

I think it's vital for us to understand, however, that agriculture's woes were heavily attributable to forces outside of the agricultural sector, that farm policy was left to play a neutralizing role during much of this decade. Because of unfriendly policies, unfriendly economic environments created by particular fiscal and monetary decisions made outside of the agricultural sector, agriculture was very severely and uniquely impacted.

So while the costs were, we would concede, large, nonetheless, I think there are explanations that we don't see necessarily occurring during the term of the next farm bill; certainly we hope not. But that financial exposure as a consequence of forces originating outside of agriculture meant that we did have a very significant cost. I cannot overemphasize, Senator, the importance to rural communities of the economic buoyancy that came from those years when the budget exposure was great. Without that legislation, the economic pain would have been immensely greater. So I want to be sure that our nonfarm people understand how important that was.

FARM DEBT AND FARMLAND VALUES

In terms of where we stand on farm debt, just to put it in perspective, U.S. farm debt grew from about $13 billion in 1950 to peak at just over $217 billion in 1982, including CCC debt. Its dropped to the vicinity of $157 billion at the end of last year. We think by the time the 1990 farm bill goes into effect, we'll have worked through probably 90 percent of our problem debt. That doesn't mean, however, we don't have significant problems existing, and, of course, a healthy level of farm income is important.

During this time we had an unprecedented drop in farmland values of about 63 percent in this State, about 34 percent nationally. Nationally we lost about 31 percent in value of all the U.S. farm assets with the value of farm assets dropping from just over $1 trillion in 1981 to $691 billion in 1987 before commencing some rebound. So we need to place in perspective the budget exposure that accompanied the 1985 farm bill.

We would also emphasize in terms of the distribution of farm debt that the six annual farm finance surveys that have been conducted at Iowa State University since 1984 have chronicled what we've been through and provide some basis for assessing the importance of farm income under the 1990 bill.

FOUR CATEGORIES OF FARM DEBTORS

We have four categories of farm debtors. We have categories of two that are very strong, and then we have two categories that are quite weak on the basis of farm debt load and return on equity. If you put the two weakest categories together, those two categories represented 30 percent of the total in 1986 and that had dropped to 26 percent in 1987, to 21 percent in 1988, and to 19 percent in 1989.

This was the survey conducted by the Iowa Department of Agriculture and Land Stewardship and Iowa State University with the assistance of the Iowa Crop and Livestock Reporting Service.

At the same time the amount of debt held in those two groups has been going through a roller coaster, 53 percent of the total in 1985, 56 percent in 1986 and then declining to 33 percent this year.

So we believe that we have the lion's share of that problem behind us, but we would certainly want to emphasize the importance of farm income in attaining a resolution of that debt.

FARM INCOME

Farm income has been running at record or near-record levels, exceeding $46 billion in 1987, and although it's been down some in 1988 and 1989, still this is a very important point to farmers and others in rural communities including lenders and others who are helping farmers work through their problems.

UNLIKELY THAT ANYTHING COMPARABLE TO THE FARM DEBT PROBLEM WILL EMERGE AND INFLUENCE THE OUTCOME AS DID THE DEBT PROBLEM IN 1984 AND 1985

Now as the debate commences on the 1990 farm bill, we should realize it's unlikely that anything comparable to the farm debt problem will emerge and influence the outcome as did the debt problem in 1984 and 1985. We think that we'll probably be down to something over 10 percent of the farmers with serious debt problems by the time we start the new farm bill, but that's not to say that that will not be a continuing problem, and it will be lodged in particular segments, particularly those who are Farmers Home Administration borrowers.

1990'S MAY VERY WELL BE A DECADE OF TRANSITION FOR U.S. FARM POLICY

Another feature of the economic environment should be noted, and that is that the 1990's may very well be a decade of transition for U.S. farm policy. With U.S. agriculture transitioning to greater reliance on market forces, fewer trade barriers and more concern about the environment, the outcome could very well be reduced farm income and some shifts in land use. And I would emphasize the importance of the latter.

As we look to a more rational system of resource allocation for the country as a whole, we would not have as much of the poorer land, the steeper slopes, the thinner soils, the lower rainfall areas, in production. We would probably have more of the best land in production. It isn't exactly rational to have one-third of our very best land out of production and a high proportion of our poor land in production. If we look at that globally, that does not make a lot of sense.

So as we move in the direction of more rational resource allocations overall, we should realize the important message inherent in that point to rural communities for there are many communities surrounded by the poor land and the steeper slopes where the fertilizer dealer, the elevator and other businesses have been kept in business because of the more intensive type of agricultural regime that comes from field crops. Transition to grazing land doesn't mean the same level of economic buoyancy.

So we need to realize that the CRP program and its successors will be accompanied by many changes in those communities and in those areas the income problem is even more severe and the debt problems more intractable than would be the case in some of the better land areas.

We think that farmers may be substantially shielded but with relatively less help for others in the rural communities, those providing inputs and those processing, handling, and transporting goods from those areas. And yet we think long term that is a very likely outcome if we're going to look to more rational resource allocation by the end of the century, which I think is realistic. Certainly as budget drives us in that direction, we will see a reduction in the incentives that relate to Government and more incentives that relate to the market, and that will call for a shift in land use.

CONCLUSION

To just wind up my commentary, the experience this past decade has demonstrated the importance of a global approach to U.S. food and agriculture policy. Policies in place caused a reduction of about 40 percent of our export activity from 1981 through 1986 which was very damaging to U.S. agriculture.

Attempting to influence farm income, as we do in the farm bill; to ensure an adequate supply of food and fiber, which we also do try to do; and balance demand and supply of commodities long term, with only a national view of the problem is fraught with difficulty at a time when production and consumption are truly global in scope and nature.

A global approach should take into account several prominent features of the international arena, including a desire to lower subsidy levels, which is currently driving much of the international side of food and agriculture policy, but much more than that, we need to focus on reducing economic distortions in production patterns and in achieving higher levels of environmental quality everywhere. It isn't just the United States that has problems of ground water pollution. It's a problem wherever intensive agriculture is being carried on whether that's in Australia, the People's Republic of China, Canada, Europe or the United States. Fourth, we must address concerns about food security in countries likely to be heavy importers of foodstuffs under a rational economic order. Many countries in the world are willing to pay quite a price not to be dependent upon imported foods. That is blunting the opportunity for us to sell foodstuffs, because they don't want to be dependent.

We must focus on that and go out of our way to be sure that we are not going to deal unfairly with food importing countries. Many are convinced in many instances that their small producers cannot endure uninsulated competition from the United States and I think they're probably right, but they're not going to let that happen if they think they're going to be vulnerable as a people in terms of depending upon imported food from the United States.

Likewise we need to respond to worries about the continued viability of inefficient agricultural producers. In many areas of the world where, again, they're not willing to submit their small-scale producers to uninsulated international competition, they fear the small producers will lose. They don't want to give up their small farm agriculture, and they're willing to pay a high price for it. I think that is going to prevent us from exploiting international trade as much as we otherwise could, unless we can deal with that problem effectively.

Also we need to address the problem of instability in fiscal and monetary policy. The greatest enemy to U.S. agriculture, in my opinion, in the last 10 years, and I daresay the greatest in the next 10 years, will be instability in fiscal and monetary policy, and I would include the huge budget deficits in Washington as well as some other problems around the world. I think we simply need, more than any other single factor, a relatively friendly fiscal and monetary policy, and if it doesn't occur, it will swamp good farm policy being legislated in the House and Senate Agriculture Committees.

I also think we should address the question of adequacy of food reserves in a world that continues to be buffeted by adverse weather conditions. And, finally, we should look at those economic barriers in Third World countries that are preventing them from eating as well as they'd like. I think we're well positioned to be competitive. I think we have a fair advantage in food production, if they can afford to buy the food. That is, in my view, clearly a question of economic growth in those countries. Third World debt ranks high among those factors that are barriers to growth.

And, so, I would close with the observation that you're facing an enormous challenge on the Senate Agriculture Committee and the House Agriculture Committee as well, to develop appropriate policies that are market driven, but that recognize the realities of food production and food distribution on a global basis.

Thank you. [Applause.]

[The prepared statement of Dr. Harl appears at the conclusion of the hearing.]

Senator HARKIN. When I hear Dr. Harl testify, I always wish I would have studied economics a little harder at Iowa State.

Mr. Secretary, I just have a couple of questions. In what ways do you feel farmers can more aggressively market their products, particularly value-added products, which would provide more jobs and give a higher share of the income in the marketplace?

You hear a lot of talk about value-added products, farmers marketing their products. Do you have any thoughts on that?

Mr. COCHRAN. Yes, I do, Senator. I think this is one of the ways that we have to work to drive that market, as Dr. Neil Harl has just talked about, right now, and we are promoting—we would like to have Congress promote, we would like to have the private sector promote, the idea of getting into value-added products, particularly the nonfood value-added products, to break down that corn product to help that soybean production, to help our rice crop production, because there's lots of value-added products that are there and a lot of ideas are on the shelf. There is some research that needs to be done, and probably it needs a nudge financially and otherwise from the Federal Government and State Government and others to get the job done.

We need to begin promotional efforts and some financial incentives to get these—after we do the research and after we get these projects and get them off the shelf, to get them out there in our areas and develop a program of industry so that we can move ahead and just do an awful lot with our raw farm commodities.

And I think that that's key to our rural communities. I think that's key to agriculture. I think it's a key to a lot of things in this country, and it's certainly one of the ways that we can help drive our market, and we don't have to try to put all of our grain and our soybeans into livestock and ship it overseas. Iowa, for example, Senator, for goodness sakes, has been shipping two-thirds of its raw commodities out of the State and not putting them into value-added products. We have not been getting the benefit here, for example, right here in Iowa.

Senator HARKIN. Dale, let's talk about crop insurance. We passed the disaster bill last year under the leadership of Senator Leahy, we put through another drought bill, long struggle, some people wanted it to cover only one crop. I joined with Senator Leahy making sure it covered all crops, because all farmers should be covered, we shouldn't discriminate.

We're now hearing from people around Washington, "OK. You had one drought. OK. You have another one, but don't come back again." I'm just hearing that kind of talk, and I'm a little concerned about this annual appropriation for a drought bill, disaster bill. What's wrong with crop insurance? Why don't farmers take crop insurance? What do we have to do?

Mr. COCHRAN. Well there's two things wrong with it: One, it doesn't do the job economically because of the way it's structured, and, of course, from that, No. 2, then the image is so bad that nobody even wants to take a look at it anymore. For example, I did take crop insurance on my own farm this year for the first time in the history of 30-some years I farmed. Why? For several reasons. I think No. 1, my father in 1949, 40 years ago, took crop insurance, and I'm going to tell you he had a terrible flood that year, and he thought he was going to get some payments. He went into the office, and come to find out, he was just above the threshold, and he didn't get one penny, and he never took it again. I didn't take it until this year. The program has increased in some benefits, but I think what's really happening when we look at it is we're insuring the bottom part of any losses, and, of course, the first losses we have are at the top.

Hail insurance for example, just as an example, if you have a 1 percent loss, you get paid for 1 percent. If you have a loss of whatever it is through crop insurance, you don't get paid until you hit the threshold. It's probably a third or more, maybe a 50 percent loss before you get anything.

So really it's not all that much protection. I had farmers tell me this year, even though I believe Iowa did go to about 70 percent this year because of last year's history of a drought, and I believe—the farmers said to me I would just as soon take a chance on not having too bad a drought as putting premium money into the crop insurance and not getting anything out of it.

So it needs a total revamping. Talking to Senator Leahy this noon I find that there is a commission that is just beginning to make some preliminary reports in depth on this, and I think it's certainly a step in the right direction. Senator, the way we're going to have to go is something where we can set up a long-term program. Stability in agriculture is what we call it.

Senator HARKIN. Thank you very much.

Dr. Harl, we know the stability and the amount of money that came into farmers' pockets during the last 4 years of the 1985 farm bill, but as you know, the amount of payments to farmers has been on the downhill trend for 3 out of those last 4 years.

Projecting ahead, what would be the consequences if target prices and loan rates continue to decline on the same path that we have had since the 1985 farm bill? Without other considerations or other Government programs, what would be the consequences that you might see in the next year or two?

Dr. HARL. Well, if we were to use the usual stock assumption of all else being equal and we didn't have dry weather for each of the next 5 years or something like that, if we began to see the surplus build up that occurred back in the earlier part of this decade, then we would see pressure on farm income in very real proportions, and, of course, the target price is a direct link to income unless we can somehow manage to buoy up farm income through market pressure.

And that's why I believe it's so important for us to look at expanding on the demand side. There's not a lot of hope that we can increase the demand for food in the United States as it's very obvious some of us eat too much the way it is. There are some opportunities for food demand increase in the United States, but the big part is outside this country.

So as we move to reduce market prices creating, I think, heavy pressure on farm income, we need to redouble our efforts on how we can improve the demand side or we will have very serious problems with respect to farm income.

Our research at Iowa State, projecting ahead into the 1990's already is showing significant declines. Of course, that's iffy because you're dealing with a few years out, but all the indications would point to significant reductions of farm income compared to what we've had the past 3 years, certainly from the benchmark 1987 income year.

So I'm very concerned about that, and every notch downward in terms of farm income means we uncover people with debt problems. So what I said about our condition is based on an assumption that we have a continuation of relatively good income. With a sharp decline in income we have even more people who would not be able to service their debt obligations.

It is important that we have some income protection that would prevent that from happening or we could have a revisitation of some of the problems we had in the mid-1980's.

Senator HARKIN. My last question is in regard to the area of base acreage. Back in the seventies we had a program called normal crop acreage program.

Dr. HARL. Yes, we did.

Senator HARKIN. Have you thought about that in terms of what we have right now with our base acreage program? Have you looked at the so-called triple base option that has been floated out there? Do you have any thoughts on that?

Dr. HARL. Some. I think there are some things we need to do about the base concept, and one thing that came to my attention last evening from a farmer, who knew I was going to be on today, was in terms of flexibility, because I think everybody wants more flexibility. I hear it from tenants. I hear it from farmers generally, and I think in the interest of a more rational regime long term, flexibility will assure this.

This person made a very simple suggestion, at least that is, he sees among neighbors a use of the annual reduction, ARP, acreage producing oats and a few other things but not soil building legumes. Nobody pays much attention to those acreages. He would like to see a 2- or 3-year bid for some of that base acreage to put the longer-lived legumes on that base acreage so they can do some planting with respect to fertility. That is certainly important from the standpoint of rotation, which also relates to the environment. The suggestion was to look to a bid where you could bid in for 2 or 3 years for some of your base so you would have some certainty and plant something besides oats and do more relative to building fertility.

Beyond that I don't know that I could say too much except to realize that with flexibility, in terms of what you can plant, will also come shifts in land use. For example, if you take that to its extreme, that would mean a very quick and I think rather sharp shift in land use.

So I think we need to realize in terms of the global implications what it would mean as we build flexibility in because people will do what's in their own best economic interest. So when we create the opportunity for those decisions to be made, we need to realize what that adds up to in terms of the overall impact as well.

Senator HARKIN. Thank you very much.

Mr. Chairman.

The CHAIRMAN. I think this testimony has been excellent. I can think of a couple reasons now that make Secretary Cochran and Dr. Harl's testimony very, very good. I know I usually have four meetings going on at once, and you gentleman know what that's like. This is one of those few times I actually get to sit here and hear it all.

Mr. Secretary, I have noted on page 6 of your testimony, picking out just one of dozens of areas that I agreed with—I don't mean to suggest that I don't agree with others. I think it was very good, but you said: "It seems incomprehensible to me that chemicals banned for use in the United States because they are dangerous to humans are allowed to come into this country in the form of imported agricultural products." Also you state: "If a chemical is too dangerous to use here, it is too dangerous to be used anywhere and certainly should not be allowed to enter in our food chain."

I would have to agree with you. I would certainly agree, too, that if our chemical companies are going to be precluded from producing a chemical here in this country because it's dangerous to our farm people, then why also isn't there the question of whether they should be allowed to produce those chemicals. Do you agree with that?

Mr. COCHRAN. Yes, I certainly would, Senator. I think it is definitely a two-way street, and we're all human beings around the world, and we may be ahead of some countries in the chemical banning and the chemical use, but I think we have to place a lot of emphasis on it both ways, and as suggested before, the environmentalists will be working with us, be working very heavily, as you Senators well know, in the next farm bill.

And we welcome that suggestion and idea because they're going to be able, I think, to lend a lot of credence to this and give us some good direction, and farmers I'm sure are going to be very positive about that, and I frankly feel that because of that they're going to give us some assistance in passing this piece of legislation this next year.

The CHAIRMAN. Dr. Harl, I hope you will keep pounding the line that you have in here when you say, "Experience of the past decade has demonstrated the importance of a global approach to U.S. food and agriculture policy." That is extremely important.

In an era where we have a more and more global economy, with instantaneous communications, the ability to transport everywhere, and a lot of Third World nations unable to pay back their debt and unfortunately starving their people by exporting their foods to do it, there has to be a global approach. Any nation as significant as the United States may produce food that has an effect globally. And I was very pleased to see you mention it here, and keep pounding on that issue.

Dr. HARL. Senator, I believe that very strongly. In the United States something less than 25 percent of additional income goes for food. In many Third World countries, that figure is closer to 75 percent. If they can afford to eat better, they most assuredly will. I think we do have a comparative advantage, and if their economies would grow, I think they would constitute a sizable market. South Korea is probably the best example. They've now become our fourth or fifth best customer for imported foodstuffs, and I think it's in our own best interest to be supportive of economic development in those countries.

I also think it's the high road which we as a mature economy should be taking and addressing the questions of world hunger quite apart from the fact I think it's also in our best interest.

The CHAIRMAN. Thank you. Thank you very much.

Senator HARKIN. Thank you, Mr. Chairman.

I just wanted to give a couple of figures here I wanted the other people to hear who come up and testify, if you want to comment on these.

This is the Iowa farm and rural life poll, Mr. Chairman, that was sent out by the Iowa State University Extension Service in February of this year. They sent out 3,270 questionnaires to farm operators and 63 percent were returned, filled out, 2,016 returned. I want to give you three figures that came out of that poll.

Seventy-eight percent of the farm operators polled agreed that modern farming relies too heavily on insecticides and herbicides. 76 percent agreed that modern farming relies too heavily upon chemical fertilizer, and 56 percent agreed that farmers would use more low-input farming methods if more research information were available to them.

That seemed to be very significant to me that that many, three out of four farmers responding, would respond that way on that poll, and I'm just wondering if there isn't something there that points us in a certain direction toward that 1990 farm bill.

Do either one of you have any thoughts on that?

Dr. HARL. I think it is common today to believe that the problems we face pits the farmer against the environmentalist. The quote demonstrates that farmers are very concerned about the environment, and that there is support for reasonable steps to be taken with respect to it. After all, it's the farm family that is drinking the water and living with the environment that's being created.

I found that poll results to be a little surprising, but on the other hand, I also think it indicates that the commitment to do something about the environment runs very deeply in the rural communities.

Mr. COCHRAN. I would say this, Senator, that there's a great deal of emphasis being placed on sustainable agriculture over the Nation and particularly in Iowa, and I see in the front row down here Dick Thompson who is the former president of the Iowa Sustainable Agriculture Organization, and I don't have the official title at my fingertips right this moment.

They're doing a tremendous job of not having crop demonstrations, but field demonstrations and actual operations and how we can farm with less chemicals and less fertilizer, and they're working very closely with Iowa State University and others, and I think it's efforts like that that are showing up in the polls as you just indicated, Tom, and I commend that organization, and I commend the farmers the way they are taking to the sustainable agriculture and the less use of chemicals and fertilizer.

Senator HARKIN. Thank you both very much for being here today. We appreciate it. [Applause.]

Mr. Chairman, next we're going to call up a panel of active farmers, representing a broad spectrum of different farming enterprises.

The CHAIRMAN. Gentlemen, I might point out it's been a long time since I heard witnesses applauded at the Senate Agriculture Committee, so you're doing the right thing.

Senator HARKIN. All right. Here's how we're going to seat them. Tom Grau is a corn and soybean farmer from Newell, Iowa, and past chair of the Iowa Corn Promotion Board and served as a delegate in U.S. agriculture trade missions for Iowa.

Dick Thompson, along with his wife, Sharon, and family, operate a 300-acre crop and livestock farm near Boone. The crops include corn, soybeans, oats, and hay. The livestock enterprise includes a beef cow herd and a hog operation. For many years Dick has conducted extensive on-farm research in the development of profitable environmental sound farming practices.

Dave Funke farms near Dyersville, with his wife and children, on a 280-acre farm and a 65-cow dairy herd. They also market about 1,400 hogs a year.

Hans Goeppinger, with his wife, operates a 2,000 acre corn and soybean farm, near Boone. In addition, he's managed farmland in Iowa and South Dakota since 1961.

Craig Hill, along with his wife and two children, grow corn, soybeans and hay on 1,200 acres just south of here near Milo, and their farm also includes a hog operation.

Judd Kruse is a practicing lawyer in Des Moines with extensive experience in debt restructuring of the Agricultural Credit Act of 1987.

Welcome, and I'm going to ask you if you could keep each of your statements to 5 minutes. I have a lot of people down there who want to say something during the open microphone session.

So we'll turn first to Tom Grau.

The CHAIRMAN. What you can do is pretend it's like in church and come in closer. You may still get a sermon, but we will not take up a collection. There's some advantages. Please feel free to come down.

I also know that a number of the people here have come in here for part of this hearing and also want to go to some of the other things going on at the fair. Please, you will not offend either Senator Harkin or myself if you come in and go out at different times, so that's perfectly all right.

Don't hesitate to come on down if you can't hear. Reverend, you don't mind if we don't take up a collection today. I didn't want him to think that this was a hint to take up a collection, but we'll give you time for your sermon afterwards.

The REVEREND. No collection. I'm leaving.

STATEMENT OF TOM GRAU, CORN AND SOYBEAN FARMER, NEWELL, IA

PERSONAL REMARKS

Mr. GRAU. Mr. Chairman, Senator Harkin, honored guests, panel members, and fellow farmers:

Mr. Chairman: I am Tom Grau, a corn and soybean farmer from Newell, Iowa.

Most recently, I have served as cochairman of Congressman Dick Gephardt's 1988 Presidential campaign in Iowa; chairman and president of the National Corn Development Foundation, 1986 and 1987; a delegate in U.S. agricultural trade missions to China and Japan (1986) and to Japan, Taiwan, and South Korea (1985). I also served as president of the Iowa Corn Promotion Board, 1985–86.

I have been asked to speak today in regard to the 1990 Food Securities Act, and I wish to congratulate the Senate Agriculture Committee for their willingness to provide this forum in Iowa to gather input from farmers and other rural residents.

You won't find the heartland on any map, but you are in the heart of it today. The heartland is everywhere that rural Americans grow up in families that share a love of land and the life it gives.

I grew up in such a family. That family includes the now retired couple who taught me to leave land better than it was when I received it. It includes myself and my wife, career farmers who seek security for our family. It also includes our 1-year-old daughter. What will her future hold?

Farmers nationwide are also a family of sorts. When they stand together, the future is assured. The 1990 farm bill will do much to decide the future of my own small family, and will just as surely chart the course for the huge family of American farming.

PROBLEMS AND ISSUES CAN BE DIVIDED INTO THREE FIELDS

The problems and issues that will face rural America as the 1990 bill flexes its muscle can be divided into three fields: International policy; U.S. policy; and local policy. What happens on all three levels as we ponder this bill will be more than political rhetoric, it will be the turning points that will shape the rural life our sons and daughters will inherit.

FIRST—INTERNATIONAL LEVEL

As we pursue the important avenues of trade and market development, and as we negotiate with other countries, we need a farm policy at home that will allow us to do so—but never at the expense of rural America.

OPEN TRADE

We as farmers do not fear it, in fact, we see it as ideal. We can compete with anyone, anywhere in the world. But we need a dose of realism to temper that competitive spirit.

If the United States cuts the price supports faster than the rest of the world, we will put rural America in a tailspin. If we proceed with proper cautions, we can fight fire with fire and prosper. The Export Enhancement Program has worked well in our trade interests.

In overseas market development, we must encourage all who promote ag products to work in harmony. Commodity groups have done a variety of excellent work in overseas development. Now, we must ask ourselves what our accomplishments can be if all our shoulders are put to the same tasks. We must bring ag groups together to coordinate our efforts, from our fields all the way to the marketplaces in far corners of the world.

An example that comes to mind dates from my trip to a South Korean harbor. The place was built with American money, yet all the ships doing trade that day flew other flags. American development assistance should give Americans teeth in trading with other countries.

Perhaps more of the Government funding provided for market development should be routed to encourage such cooperation. Many of us here today are modest Iowa farmers, but our horizons today have to stretch far beyond the borders of our fields, and of our Nation.

SECOND—NATIONAL ISSUES

The key terms for 1990 and beyond will be flexibility, simplicity, and incentives.

Flexibility must be stressed in our programs to adapt to an ever-changing agricultural arena.

Who will govern that flexibility? I say we must be sure not to allow full control of this flexibility by the Secretary of Agriculture, who could wield it to cut farmer support prices.

The discretionary authority is a must for the 1990 farm bill, and could best be governed through a three individual format—including the Secretary of Agriculture, but also the chairman of the Senate Agriculture Committee and the chairman of the House Agriculture Committee; with majority rule.

We have seen that the Secretary has not always reacted quickly enough to change—an example would be the recent delay in extending the farmers' own grain reserve, which if not extended would have cost the taxpayer money. Three minds, I feel, are better than one.

Simplicity can be embodied through change in the farmer-owned grain reserve program.

Grain elevators already need only to confirm bushel and grade as they store grain for the CCC. Farmers, however, do not have those luxuries.

For example, at one time my father and I had 12 structures of stored grain for the CCC. Each time we changed the location, to keep the grain in better condition, we were forced to seek permission, then physically have the grain remeasured. How ridiculous!

When farmers can simply sign a paper indicating volume and grade, as elevators already do, then we have achieved simplicity—and savings.

I would suggest two more improvements. One would be to give farmers set-aside based on total acreage, without segmenting by crop-specific bases, then let them determine what should be planted based on fluctuating market.

Also, payment limitations are important, but should be redistributed so those actually farming the ground they own can have higher limitations than those who do not. Again simplicity.

Incentives were not at the heart of the 1985 farm bill.

We must continue to keep our price support system as long as unfair trade exists, but let's make our support system an incentive system, not like those of the past.

Imagine an outstanding young man or woman trying to make a decision whether to farm after college in 1985. Trying to project income, using corn as an example, the only "known" is that he or she would receive over $3 per bushel in 1985, $2.75 in 1990. This is hardly an incentive, in fact, you could consider it as the opposite.

INCENTIVES PLAY A KEY ROLE

The Conservation Reserve Program has proven excellent, but needs to be reevaluated. Some types of land are more important to take out of production than others.

The CRP program should also encourage joint ventures with private enterprise and interested individuals to get important projects underway—tree plantings, wetland habitat and recreational facilities are worth more than planted grass.

THIRD—THE LOCAL LEVEL

As important as the world scene, local issues should always take root in the farmer's mind.

Each program that is developed on the national level should accurately reflect the grassroots volunteerism that exists in rural America.

The disaster of United Airlines Flight 232 that descended on Sioux City, Iowa, is a perfect example.

Individuals will give their time and talent in order to help others. That's what has put the heart in Heartland for generations. Literally hundreds gave of themselves after the airline disaster.

As we give rural grants, let's remember the lessons from those kinds of volunteer turnouts. If a community will donate many hours of labor and machinery toward a specific development project, let's reward them financial grants. Urban renewal became a 1970's household phrase. With proper direction, rural development can become a household phrase in the 1990's.

Rural development begins at home, on the grassroots level.

CONCLUSION

To conclude, the things we have come together today to speak about can be tied together with one common bond—our concern for the future of rural America. We are concerned for our parents, for ourselves, and especially for our children. These issues are not politics, they are family matters—for our families and the family of farmers nationwide.

As I speak here today, some of my words were handed down over years of wisdom from my parents; others came to me during the joint labors shared with my wife. Many were inspired by my dreams for my 1-year-old daughter, Michelle.

Family, past, present and future. These are the inspiration for the hearing you have brought to Iowa today, and for the ideas we are airing here.

Mr. Chairman, thank you.

[The prepared statement and attached information of Mr. Grau appears at the conclusion of the hearing.]

Senator HARKIN. Tom, thank you very much.

Now I'll turn to Dick Thompson from Boone, Iowa.

STATEMENT OF RICHARD L. THOMPSON, FARMER/RESEARCHER, BOONE, IA

FARM POLICY THAT IS COMPATIBLE WITH SUSTAINABLE FARMING PRACTICES

Mr. THOMPSON. Chairman Leahy, Senator Harkin and ladies and gentlemen, I would like to share some ideas today on the importance of research and farm policy that is compatible with sustainable farming practices.

I thank you, Tom, for your opening remarks. We hear a lot of bad news about agriculture today, so I hope I can bring you some good news today.

This is our 32d year of farming. The first 10 years we used high inputs, continuous corn, fall plow, insecticides and herbicides, highly leveraged and highly stressed.

CHANGE TO LOW INPUT

In 1967 we made a change to low input, and we went back to a 5-year rotation, and if that hadn't happened, I'm afraid we would be bankrupt now. I had the disease of specialization and expansion as bad as anybody. So the last 5 years our farm has turned into a research farm. So we're trying to decide if we're going to spend $10 an acre, how, when, and where do we do this.

RESEARCH IN A DIVERSIFIED LIVESTOCK-GRAIN SYSTEM

Sharon and I and our son, Rex, have a 300-acre diversified livestock and grain farm. With 50 beef cows, 80 sows, we use this manure, store it, put it on in the spring the best way we know how, and that supplies our nitrogen and phosphorus, and we are buying some potassium. A fall seeded hairy vetch and oats crop is broadcast in early September over the top of corn and soybeans to get better erosion control, trap more rain, produce nitrogen and keep it out of the ground water, increases the earthworm population, improves soil structure, better water infiltration and we get the allelopathic phytotoxins to control weeds next year.

So now we have this manure on the ground and we have this cover crop. The question becomes how are we going to take this out without a herbicide burndown? How are we going to incorporate the manure to save the nutrients without stirring up the weeds?

A modified ridge till planter does this procedure quite well by taking the manure and weed seeds out of the row into the middle and mechanically cutting off this cover crop without the burndown. The weeds in the lower ridge are never excited, so they stay asleep. The crops are clean, and we can do this without herbicide.

So this saves tillage costs, herbicide costs, and we don't have to choose between profit and environmental issues.

I would like to submit for the record a field day booklet [1] that would further explain it.

RESEARCH FOR CASH GRAIN SYSTEMS

People ask, "You have cattle, and you have manure. How do I do it without livestock and I live on hills?" So this year is our first year of setting up demonstration fields with 8 percent slope. We're going to try to control the erosion without terraces and contours, use straight rows that go across the hill, 7-year diversified rotation with four different crops, corn, beans, oats and hay. We're going to do this without manure.

This is going to be in eight row strips on permanent ridges, and there will be no primary tillage. It will be ridge tilled, planted without the use of herbicides. And if that fails, we will use the post contact herbicides as the last resort.

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[1] The booklet and other material referred to by Mr. Thompson is retained in the committee file.

We will no-till oats in April into fall seeded hairy vetch on these soybean ridges, and we found out this year we combined both together, and we have our cover crop to plant again next year, use our own seed, low cost. So we'll have the soil covered at all times.

I don't feel there will be any additional nitrogen needed. We will use the late spring soil nitrate test that was developed by Dr. Fred Magdoff at the University of Vermont to see if we need any. We'll apply phosphorus and potassium in the row we planted based on leaf and stalk tests.

We will farm six strips. The seventh strip we will leave established in the legume, turn it into the soil. We will not remove the crop, and this will be the seventh strip, which we call rest. This is checking out the Biblical 6 years we farm and 1 year we leave it idle, or if you're a little nervous about that, we call that the voluntary 14 percent set-aside without any Government tax payment. So this will save soil, water, energy and money and protect ground water.

So I would like to submit that paper on that 7-year rotation.

PROBLEM BETWEEN FARMERS AND RESEARCHERS

The next problem we've encountered is between farmers and researchers. Farmers don't believe the results of the small plots because they are hand planted and hand harvested. Researchers won't accept farmer's yields while comparing one field to another or last year's yield to this year's yield. Both have good reason, so we have a standoff.

We have removed these problems with long, narrow strips, planted and harvested by the farmer, randomized and replicated six times with statistical analysis. These results are accepted now by both farmers and researchers. This is a cooperative effect through the farmers extension and research, a good marriage, not competitive.

The good news is it costs less. The farmer furnishes the land and the machinery. The farmer is paid some for his efforts. The coefficient variation is very low, and what that means is that the predictability of these results are as good or better than the small plots. And I would like to submit three papers on that.

PRACTICAL FARMERS OF IOWA

Practical Farmers of Iowa was started to promote profitable environmental farming practices. Started in 1985 with no funding and a five-person steering committee, 5 years later in 1989 we have a $200,000 funding secured to the year 1991. We wish to thank the Leopold Center, the Iowa Department of Agriculture, Land Stewardship, Wallace Genetic Foundation and Northwest Area Foundation. We have 300 members and 25 on-farm location sites. We had a very successful field day in northern Iowa at three locations and attendance of over 65 people at each farm.

We have fliers here today for those who might be interested in the remaining field days.

PFI AND THE RELATIONSHIP WITH IOWA STATE UNIVERSITY

PFI and the relationship with Iowa State University may be the first in the Nation to be officially tied with the grassroots sustainable organization with a land-grant institution. We have two of our field coordinators, and I would ask you to extend some position, and we have two contractual agreements on sustainable projects.

Two years of data shows a lower rate of nitrogen. Sixty pounds less produces the same as at the higher rate. Ridge till with and without herbicides does as well as with the herbicide.

On the farm policy, the present program has been biased against diversified farm product. Let's not encourage diversity or alternative crops. It actually increases inputs not reduces it. Sustainable agriculture—or the farm program is not sustainable in light of the national debt and environmental crisis.

CLOSING REMARKS

As soil commissioner I will close with these two comments. The 1985 farm bill was a good start, but there are farms that are not highly rotating by definition, but there is still serious water and wind erosion. So the 1990 farm bill should address all lands where erosion is a problem. The priorities need to be changed in soil conservation. The high-cost terraces need to be taken from the top of the list to the bottom. Diverse rotations with cover crops, ridge till strip cropping should be first priority, and if these techniques don't work, the land should be planted back to grass.

Thank you for this opportunity.

[The prepared statement of Mr. Thompson appears at the conclusion of the hearing.]

The **Chairman**. Dick, Tom knows you all, and he is staying in Iowa tonight. I'm going to have to go back to Washington, and I'm getting worried that I might have to leave before I hear all of you. So when we're done, Ms. Sarcone is having the green light/red light go on. The red light will go on as your time ends. I don't want anybody to stop in the middle of their statement or something like that, but you may want to complete your statement shortly after that red light goes on.

I should emphasize, however, that after the hearing you will be given a copy of your remarks. Certainly if you've had to leave out some areas because of the time restrictions we will put it in the permanent record. I should have said this at the beginning of the hearing, because every witness has run over, and neither Tom and I want to stop anybody because we find it interesting.

So, just so we have time for the open microphone, when you receive your transcript, if you've had to shorten your comments, we will put your whole statement in the record.

Senator **Harkin**. Thank you.

Next, Dave Funke from Dyersville.

STATEMENT OF DAVID O. FUNKE, FARMER, DYERSVILLE, IA

Mr. **Funke**. Thank you, Senator.

I would like to thank you for this opportunity. I have waited 20 years for this and now you give me 5 minutes.

1985 FARM BILL—PRICE COMPARISON

When I was asked to be on this panel, I decided that before I was ready to look ahead to a 1990 farm bill, I was going to go back 5 years to when we were having hearings on the 1985 farm bill. I went back to my 1984 farm records to see if the 1985 farm bill helped or hindered my livestock operation.

The CHAIRMAN. I want to hear the answer to this one. You've got our attention now.

Senator HARKIN. Get right to the point.

Mr. FUNKE. I compared 1984 prices to 1989 prices. These are the facts:

First, the average price I received for milk from Kraft, Incorporated, in 1984 was $12.95 per hundredweight.

Second, the average price I've received for milk from Kraft, Incorporated, so far in 1989 has been $12.10.

Third, I am getting paid 85 cents less per hundredweight for milk than 5 years ago, even after a whole-herd dairy buyout program.

Fourth, the average price I received for butcher hogs in 1984 was $47.90 per hundredweight.

Fifth, the average price I received for butcher hogs so far in 1989 was $42.50.

Sixth, I'm getting paid $5.40 per hundredweight less for hogs than 5 years ago.

Seventh, in 1984 I was not enrolled in any Government program, so I received no Government payments.

Eighth, so far in 1989, I've received over $10,000 in advanced payments. At this time I'm not certain if I will be able to keep that amount, it will depend on the price of corn.

Senator HARKIN. In 1984 you received no Government payments?

Mr. FUNKE. That's correct. In 1984 I wasn't in the program.

Senator HARKIN. In 1989——

Mr. FUNKE. In 1989 I've received approximately $10,000 up to the present time.

The truth is, if I had 1984 prices versus 1989 prices in my livestock operation, I would gross over $26,000 more in money. Add the Government payment in 1989 and I still end up over $16,000 short.

As I went through my 1984 records there are several other things that caught my eye:

First, I bought corn in 1984 for $3.65 a bushel. The most I paid in 1989 is $2.85 a bushel, an 80 cent drop, and it's still going down. I wonder how many grain farmers would gladly give up their Government payments for $3.65 corn this fall?

Second, as I went through these records, Blue Cross and Blue Shield is deducted from my milk check. It has more than doubled in 5 years. The cost of health care in this Nation is getting to be a national disgrace.

Third, our living expenses continue to rise; school tuition, clothing, dental care, et cetera. Inflation continues to take its toll.

Fourth, machinery repairs have doubled in 5 years. To buy new equipment at our current milk and hog prices is beyond reality.

OTHER RED FLAGS WAVING

There are other red flags waving that the 1985 farm bill has not returned prosperity to rural America. They do not show up in Government reports, tax returns, debt reductions and balance sheets. Farm buildings and farm homes are in need of repair. We have the oldest farm machinery in two decades with equipment dealers saying, "Well, maybe next year things will get better." In Dyersville our Catholic high school is trying to raise $1.5 million in donations to keep the doors open. The success of the fund drive is uncertain at this time. Our public school district tried to pass a $7 million bond issue to get our children out of portable buildings and into less crowded facilities. It has failed. The money in rural communities has dwindled and our quality of education is in jeopardy.

HOG OPERATION

In our hog operation in the last 5 years, we have tried to maintain our building at full capacity, and I think 1989 will end up being the lowest on the market in 10 years. Cheap corn always leads to cheap hogs.

DAIRY OPERATION

In our dairy operation we had to make changes to survive. As the price of milk goes down, it lowers my income, but debts and fixed costs are still there. We added more cows and have also increased production per cow. We did not expand our facilities, but have overcrowded them. We have gone to double cropping to get more feed and milk per acre. We seed winter triticale in the fall, harvest around June 1, and then plant a forage called Milage, a mixture of soybeans and milo, which we chop for silage in the fall. In the spring of the year we use a forage called Tripper, which is a mixture of Canadian peas and triticale. It's a higher protein than oatlage, and it's a better quality. Lowering the price of milk does not guarantee less production, but can have the opposite effect.

NEW DIRECTION IN 1990

In 1990 we have to take a course of new direction. We need a bill designed to increase the profit of the American farmer significantly, and then prosperity will spread across rural America. There are several things I would like to see in the farm bill:

First, we need protection from the Fed's playing with interest rates to control the economy. When they raise interest rates it increases my output cost. Farming is a high-investment business; it will remain that way.

Second, we need protection from inflation and rising expenses. When General Motors health care cost goes up, they add it on to the price of a new car. We need that same protection. When products leave the farm gates, it affects every business. Every business adds their increases so their businesses remain profitable. We will probably have to go back to some sort of a system of parity in the new farm bill so the farmer can keep his business profitable.

I see my time is running out, but Federal crop insurance should be addressed, and also the Chicago Board of Trade. Do we really need it? I think our markets should go back to the day when true production figures reflect the market and not when speculators talk about the greenhouse effect one day and then an early frost tomorrow.

Thank you. [Applause.]

[The prepared statement of Mr. Funke appears at the conclusion of the hearing.]

Senator HARKIN. Hans Goeppinger.

STATEMENT OF HANS GOEPPINGER, IOWA FARM OPERATOR, BOONE, IA

Mr. GOEPPINGER. Senators Leahy, Harkin, ladies and gentlemen.

POINTS TO BE CONSIDERED IN THE 1990 FARM BILL

The following points occurred to me that I would like to see be considered as part of the 1990 farm program legislation being considered by the Senate Agriculture Committee.

ABANDONED FARM WELLS

First, the first point addresses abandoned farm wells in the major farming areas of the Central United States which offer a direct conduit for contamination into the underground aquifers from which all citizens receive their drinking water. There are a large number of abandoned wells—in fact, there are thousands of them—as a result of the large drop in active farmsteads over the last 50 years. My suggestion for correcting this dangerous situation is to first find the location of these wells by offering a $100 reward for registration of the location of these abandoned wells. This would be done by property owners registering their location, next by farm operators and after a 1-year period, the public at large. This registration would be done at Soil Conservation Service offices in the counties where the wells are located. Second would be to offer a $500 bounty to be paid for the proper sealing of wells when said sealing is certified by Soil Conservation Service personnel after their inspection of the sealing process. The farm owners or operators would pay for the sealing and get to keep that portion of the $500 up and above the cost of proper sealing. Of course, this could be adjusted if needed.

A LOCATION RESTRICTION OF SET-ASIDE ACRES SHOULD BE INCLUDED IN THE NEXT FEED GRAIN PROGRAM

Second, a location restriction of set-aside acres should be included in the next feed grain program with regard to the set-aside acres in that program. Land enrolled in the feed grain program should only be allowed in set-aside for 2 consecutive years, and in the third year a different area of the farm should be designated until all of the farm over a period of years has had set-aside acres on it before the first areas could again be in set-aside. An exception to this, of course, should be filter strips along creeks or waterways. A 2-year period is necessary for such crops as yellow blossom sweet clover and alfalfa covers to be effective and accomplish the buildup of soil humus.

SWEET CLOVER

Third, again has to do with sweet clover. Let us go back in history just a little bit. Sweet clover is a biannual that, before widespread use of anhydrous ammonia, was used to build up soil nitrogen in the preceding 2 years before a corn crop. The way this worked was to plant the sweet clover in the spring and allow it to grow all that year, go dormant the following winter, and the following year when the sweet clover had reached a height of 5 or 6 feet, the sweet clover was plowed under as a green manure crop adding tons of humus per acre. This was usually done the month of June.

Another advantage, of course, was the 5-foot depth the roots penetrated to in the soil. The root decay left the soil with large water carrying capacity, much greater than ground that had not had sweet clover on it. Plowing of the second year growth needed to be done in Iowa in late June before the plants became brittle from maturity and also before seed maturity. Because of the present rules prohibiting the plowing of set-aside acres before September 1 in Iowa, the sweet clover program as described here is not possible. I call for a change in the regulations to allow this.

CHANGE FOR SWEET CLOVER

Most of Iowa's set-aside is covered with oats as a cover crop. These oats are seeded by May 1 and this ground disked or plowed after the September 1 release date. The ground is protected for only 4 months of the year. With the change I'm asking for sweet clover, in a 2-year period there would be 21 months of soil coverage, because after plowing, this ground should have a seeding of oats required by September 15 to cover the ground into the winter. This would leave an uncovered maximum period of 3 months, July, August and part of September possibly.

ELIMINATION OF THE $50,000 PAYMENT LIMITATION FOR FEED GRAIN PROGRAM PARTICIPANTS

Fourth, my last point, Senators, I would like to see the elimination of the $50,000 payment limitation for feed grain program participants. The reason for this, the reason I'm calling for this change is not because of any advantage to myself because I'm not affected by that limitation per se, but I am certainly affected, along with all other feed grain program participants, in the huge amount of time required to complete the paperwork that has been generated by this $50,000 payment limitation. The time spent by all program participants in ASCS offices and outside the offices during the signup period to comply with this $50,000 limitation is unbelievable. This is unproductive time spent by all concerned, and for the few people involved and the money saved, it does not seem to me to be worth the drain on the people's time administering the program or the people's time participating in it as farm operators.

Thank you, Senators. [Applause.]

[The prepared statement of Mr. Goeppinger appears at the conclusion of the hearing.]

Senator HARKIN. Thank you very much. Next, Craig Hill from Milo, Iowa.

STATEMENT OF CRAIG HILL, GRAIN/LIVESTOCK PRODUCER, MILO, IA

Mr. HILL. Senator Leahy, Senator Harkin, and friends. I appreciate this opportunity to express my opinion of the Food Security Act of 1985 and to offer my view of the 1990 farm bill and what it should contain.

BACKGROUND

I'm a grain/livestock producer in Warren County. I produce 600 acres of corn and 600 acres of beans and have 100 acres set aside in hay each year. My acreage is share crop and cash rent. I own 80 acres.

1985 FARM BILL—SATISFIED WITH ITS PERFORMANCE

Those years of the farm crisis it was very difficult for agriculture, particularly in the Midwest. In 1985 it was especially troublesome for me personally. In my operation I had to make some very difficult decisions in order to stay in business. The 1985 farm bill allowed me the confidence and the means to continue farming. The bill has lived up to my expectations. I was excited about it when it was adopted. I'm satisfied with its performance now, with only a few minor exceptions.

I've had 3 good crop growing years, 1 very poor with the 1988 drought. It appears 1989 will be less than average. After these extremes in weather, I believe the bill has worked.

Target prices have allowed an acceptable income. Loan rates have offered security. PIK rolls benefited my hog operation and reduced feed costs and allowed the profit opportunities. I've enjoyed protecting my fragile acres by seeding through set-aside. The CRP has helped to take land out of production that should not have been continuously farmed.

FLEXIBILITY IN PLANTING IN THE 1990 FARM BILL

I utilized the 10-25 program for planting soybeans on base acres this year, but I think it's very unfortunate that we have lost a substantial amount of our market share to South America in soybean production. For that reason I hope to see some flexibility in planting in the 1990 farm bill. Farmers should not be forced by economics and programs year after year to maintain a base, and we should allow flexibility to plant.

SHOULD BE MORE RESEARCH DOLLARS SPENT ON LOW-INPUT SUSTAINABLE AGRICULTURE

I think there should be more research dollars spent on low-input sustainable agriculture. Given the research available to me and given my experiences on my farms, I intend to grow under the least possible costs per unit. That has been my goal in the past, my goal now, and in the future. I think it's the goal of the majority of farmers.

ROTATING CROPS AND FERTILIZER

I have worked rotating my crops, reduced my trips across the field. I fertilize with manure when it's available. The problem is sometimes we don't have enough manure for all the acreage. I use minimal labeled rates of pesticides, and I only use pesticides when needed. I fertilize only to replace the nutrients removed. I don't think farmers in today's economy casually apply any of our inputs they're expensive.

PROVIDE NEW RESEARCH AND TECHNOLOGY

Please provide new research and technology and given proof of the consequences of our farming practices farmers for economic and environmental reasons will change their practices if needed.

PLEASE DON'T LEGISLATE AN INCREASE IN OUR UNIT COSTS BY RESTRICTING THE UTILIZATION OF OUR TECHNOLOGIES

Please don't legislate an increase in our unit costs by restricting the utilization of our technologies that we have today and then ask us to be competitive in the world market at the same time. I would like to note, however, that there have been some significant outside factors that influenced the increased net farming in the last several years.

COSTS ARE CHANGING

During and subsequent to the 1985 farm bill, fuel prices, fertilizer prices declined. Machinery prices were reduced in liquidation by farmers and dealers. The cost of pesticides and seed went down for a short time. Interest rates became more manageable. That has changed now, and the costs of my inputs are going up, and it's discouraging to see target prices eroding so quickly. I would hope that target prices are not further reduced. My production costs and living costs are not declining. Please don't legislate an increase in our unit costs.

CONCLUSION

In conclusion I would like to farm for the next 5 years under a farm bill that is consistent and much the same as what we have today. I would like to emphasize some modifications to maintain farm income to allow planting flexibility and increase research.

Thank you. [Applause.]

Senator HARKIN. Thank you very much. Next, Judd Kruse of Des Moines.

STATEMENT OF JUDD KRUSE, ATTORNEY/FINANCIAL CONSULTANT, DES MOINES, IA

Mr. KRUSE. Mr. Chairman, Senator Harkin, I thank you for the opportunity to address this committee today.

HELPING FARM FAMILIES AVOID BANKRUPTCY AND FORECLOSURE

The focus of my talk will change somewhat from the previous people on the floor here. I'm an attorney. I'm a financial consultant, and in those capacities I have dealt with approximately 150 farm families over the past 3 years in an effort to help them to avoid bankruptcy and farm foreclosure. I've done that through negotiation, mediation, and restructure of their debt.

AGRICULTURAL CREDIT ACT OF 1987—EFFECT ON FARM FAMILIES

My remarks today will be limited in scope to the effect that the Agricultural Credit Act of 1987 has had, is having, and will continue to have, on the farm families that I have had personal contact with.

As to the macroeconomics of the Ag Credit Act, I will defer to those more competent to comment. I speak today from the perspective of those people in the process of restructuring on a personal basis.

There is no question that the act provided a much needed alternative to bankruptcy and foreclosure. Financially distressed farmers were given an opportunity that they would otherwise not have received. Current statistics would indicate that the majority of farm families did take advantage of that opportunity.

The implementation of the Ag Credit Act or the Farm Credit System provided for a realistic approach to the financial problems of its borrowers. However, it had been my experience that at least on a local level many of the ideas mandated by law had already been implemented. It did, however, provide a framework on the time limitations within which a plan should be developed and negotiated and achieve a solution to the problem.

COMMENTS IN REFERENCE TO FARMERS HOME ADMINISTRATION

The bulk of restructure activity in my office since November of 1988 has involved Farmers Home Administration. The balance of my comments will be in reference to Farmers Home and will address the positive and negative aspects of the legislation as it plays out on the kitchen tables of farm families across this State.

On the positive side, as I mentioned before, financially distressed farmers have been given an opportunity to remain on the farm. The process of application, review, appeal, leasing, buy back may take up to 5 years or possibly longer, and it's all done while the farmer remains on the farm and in most cases continues to farm. Even if foreclosure or bankruptcy should take place, some of these same opportunities are granted to most of these farmers.

PRACTICAL APPLICATION OF A FARMERS HOME RESTRUCTURE

Turning now to the practical application of a Farmers Home restructure, I think it's important for the borrowers, as well as the members of this committee and others, to understand where the borrower is financially, not only before restructure, but after restructure as well.

Farmers applying for restructure are, for the most part, insolvent. That is, if everything they owned was to be sold, it would not pay their current debts. In addition, before restructuring the farmer does not generate enough income on a yearly basis to make his yearly note payments after he pays his operating expenses and provides a living for his family.

By regulations, Farmers Home, in the process of restructuring, must recover from the farmer at least as much as the net present value of their security. This Farmers Home process, utilizing the dollars program, results in a restructure whereby the farmer is still insolvent, and he can only marginally service the remaining debt. In some cases a restructured farmer may be asked to service a debt far in excess of his assets. He may, in fact, never achieve solvency.

In addition, if the restructuring utilizes a limited resource rate provided by Farmers Home and if the farmer appears to be making excess profits—this is monitored on a yearly basis—the interest rate will be raised to absorb some of that profit.

ADDRESSING VOLUNTARY LIQUIDATION

Another issue that needs to be addressed on the State level, if not the national level—this is something that has occurred or I've seen more and more of recently, where a farmer has voluntarily liquidated their assets, and this may have occurred 2 to 3 or 5 years ago. This is usually after recommendation of Farmers Home as well as other creditors. They have turned over all proceeds to the appropriate creditors. The balance of Farmers Home debt has been retained on the books for several years possibly, while the farmer has gone to town and obtained other income. Farmers Home now under the Ag Credit Act comes to the farmer to settle his debt, and in this State, at any rate, they are suggesting on a percentage basis—for example, if there's a $150,000 debt remaining that was not settled, Farmers Home is asking for a 10 percent payment as a debt settlement.

While the figures sound reasonable on its face, if the family is at retirement age and is striving to provide for that retirement, I submit to you the figures are unreasonable.

This also applies—I use the retirement age people as an example. It also applies to other disadvantaged people, people without training, people with large families, younger people, people trying to go back to school.

Requiring unreasonable payments at this time by this Federal agency will no doubt result in subsidy by another State or Federal agency in future years. The suggestion of bankruptcy only goes to ignore the possibility of a negotiable solution, a solution that is attainable given more flexibility and more reason.

TAX REFORM

The last issue I will address is that of tax reform, not from a tax consultant. I'm not a tax expert, but I raise it only as it relates to the farmers that have, as a result of debt restructuring, sold assets or have had their debt forgiven. The complimentary tax provisions were not implemented addressing closed liquidation, capital gain and discharging of debt with income. Many of the so-called successful restructures will once again become a candidate, only this time with a new creditor, the IRS.

CONCLUSION

In conclusion, the Ag Credit Act of 1987, in my opinion, has been successful in that it gave the family farmer a second chance to remain on the farm while attempting to recover a reasonable amount of taxpayers' money. However, it is important to keep in mind the success rate on the farm is going to be due largely to factors beyond the farmer's control; that being weather, target prices, market prices, tax reform, Government programs, and so on.

I feel it's imperative that Congress closely monitor this program and how the Ag Credit Act is being administered and how the recipients of that act are fair. In my opinion, these family farms are very close to financial failure and will result in reapplication to Farmers Home for another debt restructuring.

Once again, Senators, I thank you for the opportunity.

Senator **Harkin**. Thank you very much.

Thank you all for testifying, and as the Chair said, those statements will all be made a full part of the record even though you may have abbreviated them somewhat in your testimony.

Certainly trying to weave a common theme through all of the testimony was pretty hard. It seems that what we have is the situation where the 1985 farm bill set up a system whereby because of very bad market situations, the Government steps in, borrowed a lot of money and used that money to supplement the market price. That served to stabilize a great deal the situation of agriculture here in Iowa and around the country.

Now, however, I'm hearing that perhaps we ought to be looking at something else in the 1990 farm bill. I hear the common theme of flexibility. This comes through in most of your statements.

Dave Funke talked about his records that he had, which I thought were very interesting, about the average prices he got today compared to in 1984. Also pointed out, I believe pointed out—Craig Hill pointed out that some other things have gone down. Inflation, machinery, different things like that have come down. The cost of machinery, interest rates, and fertilizer have come down. I don't know how that balances that off in terms of those prices.

Through it all what I hear—correct me if I'm wrong—is that perhaps there needs to be a shift in the way that the Government supports a farmer now. Rather than perhaps from a target price standpoint, perhaps more support and incentives for conservation practices, more support in the way of incentives for alternative crops and diversification.

I kind of hear that as a common theme. I'm not certain how we do it, and I'm wondering if any of you have any thoughts on how the 1990 farm bill might begin to shift that emphasis, keeping in mind that I feel as long as the marketplace is not working, there has to be some Government support. As I pointed out in my opening statement an hour and a half ago, we're only giving 1 percent of the total Federal budget compared to 2½ percent in 1970.

Do we need to shift the way we give that support out? Dick, you've been shifting your farm operations for a long time. What do you think?

Mr. **Thompson**. The part that I left out is that we used a Government program in 1967 to make this shift, and I really feel farmers have missed an opportunity while they had a Government program because I feel that it isn't going to be here forever like it is now, but at this particular time we have 40 percent of our land seeded down to oats and hay, and I can't be in the Government program because I don't have any corn base left. So I feel like I'm penalized for taking better care of the land. So how you can work that out to give us some room to work and give support where it's needed and let us farm the land maybe in a more sustainable way.

Senator HARKIN. Do you think we should do away with base acreage?

Mr. THOMPSON. Yes, yes, yes, yes.

Senator HARKIN. How many on the panel——

The CHAIRMAN. Is that an unequivocal yes, Mr. Thompson?

Senator HARKIN. How many of you agree? How many disagree? How many think we ought to do away with the base acreage or something else? How many disagree? Two disagree, two agree. You're as bad as Congress; split down the middle.

Craig, you're a young guy. Sounds like you have a fairly healthy farming operation down in Milo. You are farming about 1,200 acres. How much of that are you buying? How much do you own?

Mr. HILL. I own 80 or I'm making payments on 80.

Senator HARKIN. Making payments on 80 share crop?

Mr. HILL. Share or cash rent.

Senator HARKIN. You're a hands-on farmer. You're a young guy, committed to agriculture. What really helped you in terms of securing your future in terms of getting your 80 paid for, perhaps buying some more land in the future, increasing your assets? What can we do to ensure that?

Mr. HILL. I've been very satisfied with the 1985 plan, and the certainty that that bill gave me. It gave me the courage to farm for another 5 years, and I would hope to see the next 5 years with that same certainty.

I think it's absolutely necessary we have some safety net protection. Farmers are extremely productive, and that's been exhibited, and we want to continue to be.

I made some comment earlier that our input costs had gone down, and that was during and subsequent to 1985, but the last 2 years they have been rising, and that was my point about income the last several years. It has been benefited because of those input costs, but now they are rising, and that concerns me. The target prices have been declining every year, and we've reached a point now where with increased costs the next 5 years, I'm not certain that we can live where we are at target price, and I would hate to see it diminish more.

Senator HARKIN. How many of you feel that the Government ought to provide more incentives for sustainable agriculture? How many of you feel the Government ought to provide more support for low-input sustainable agriculture? I know, Craig, you mentioned that. How many don't feel that is necessarily a good thing for the Government to do?

Mr. GOEPPINGER. What support, Senator?

Senator HARKIN. Any kind of incentives for the farmers who might want to get involved in different practices that would require less inputs, whether it be fertilizer or chemicals or whatever it might be like that; in other words, going into crop rotations, that kind of thing.

Mr. GOEPPINGER. OK. Thank you. I would support that. Of course, I spoke for that trying to get the rules changed so we could go back to using sweet clover the way farmers used to.

Senator HARKIN. I wrote that down. I made a note of that. So you basically feel that farmers have enough information now that they know what to do. Or do they need more information? And how is the best way to get the farmers that information; through the extension service? That's a generalized question. I want to get just a feel for that.

Now I will ask one other question. How do you feel about the national checkoff programs for commodity promotion and research? How do you feel about checkoff programs? Do you like them, you don't like them, or you just don't care?

Mr. FUNKE. Well, in my opinion, we have the pork checkoff, et cetera, and the question is have they really increased our market prices. You know, maybe we wouldn't be selling as much pork if we didn't have them. Maybe we would just have an oversurplus of pork. I don't know, but I can't see where they've really helped us that much. Maybe through advertising, such as that, they have.

Senator HARKIN. Any other comments?

Hans.

Mr. GOEPPINGER. I think the pork and beef and the milk, that type of organizations, are in far less danger of being subverted than have not, but on the soybeans, corn, et cetera, there is a very good chance of those funds becoming captured funds, so to speak, of the processors, the Bungys, the Cargills, the Cooks, et cetera, I think that's a real concern.

Mr. GRAU. I would like to agree. If we don't support our own product, who will? I think the commodity programs have done real well, but I want to emphasize we need to coordinate the programs better through Government incentives, but we need to promote our products, and I'm in favor of that.

Senator HARKIN. Thank you all.

The CHAIRMAN. Just a couple of questions. I just want to make sure I understand your testimony. You said you're getting 85 cents a hundred less for milk than 5 years ago; is that correct?

Mr. FUNKE. That's correct.

The CHAIRMAN. And how much for hogs?

Mr. FUNKE. At the present time I'm averaging—the first 6 months are running $5.40 a hundred less than the last year. We're averaging $42.50 for hogs right now—I mean less than $5, $42.50 for hogs, up to $48 now, but the trend toward fall I'm sure is strictly downhill.

The CHAIRMAN. Now what effect does that have on your net after you take out your production costs and so on? Those prices will be going down, will they not?

Mr. FUNKE. We've had some good years between 1984 and 1989 where we're at today, but this year with the drought and buying all of our grain, so far it's been basically nothing more than an exchange of money. We're buying the feed, selling the hogs, but the profitability hasn't went anywhere.

The CHAIRMAN. Your production costs have gone up this year.

Mr. FUNKE. Right; mainly feed costs.

The CHAIRMAN. Now, Mr. Goeppinger, you talk about eliminating the $50,000 limitation payment. I understand that creates certain political problems and putting that into a bill may cause us to lose a great deal of the support. I can't speak for the House, but in the Senate it would be losing a number of votes that we actually need to get the farm bill through. It's getting more and more difficult to get farm legislation through.

We've had a number of farm bills go through the Senate by literally a one-vote margin, and the $50,000 payment limitation is one of those things that actually picked up some of the votes. I am concerned about what you say about the paperwork involved, and maybe that's something we ought to be taking a look at.

Mr. GOEPPINGER. That would make me very happy.

The CHAIRMAN. You're not so concerned about limitation. You're concerned about the bureaucracies; is that correct.

Mr. GOEPPINGER. That's correct, Senator.

The CHAIRMAN. Mr. Thompson, Mr. Hill, you talked about organic farming being diversified and so on. We will have, I think, more money in the next farm bill for experimentation in that area. I don't know if the farm bill will be able to do it, but I think we ought to start raising some questions about the marketing aspects of the organic farming or low-input farming. I'm not suggesting that somehow we can turn around all of our practices, nor should we, but there are some areas where I think the marketing aspects should be explored. Correct me if I'm wrong. We tell the farmer to try out these new ways of farming and they spend all their time doing that, and nobody tells them the next step, how you market effectively, efficiently, and profitably market what you've done with all of these new techniques. Am I correct in that?

Mr. THOMPSON. Yes.

The CHAIRMAN. The real hero of this hearing is this young woman down front who is trying to keep up with everything we're saying and dealing with that.

I have no further questions, Tom, and I found this panel to actually be fascinating and a great cross-section.

Senator HARKIN. One last thing I need to bring up for you, and for the other people who will be talking during open mike, is that we moved a drought bill last year and a drought bill this year, and, quite frankly, there's a lot of grumbling going on in Washington. We even had one individual come up to me and say, "Don't come to that well again." I'm concerned that if there's another drought, we're not going to be able to get the kind of funding that we may need.

On the other hand, we have crop insurance. We went from disaster payments to all-crop all-risk insurance. It doesn't seem to be working. We just had a commission that the chairman had worked to set up. This commission is just now reporting back their findings and recommendations on crop insurance. I haven't had a chance to read it yet or study it. I will when I get back in September. I just ask you, do you have a simple answer for me? What can we do to increase the use of crop insurance? Because I'm not certain there's going to be any drought payments or any drought disaster program in the future that's going to help us worth a darn.

Mr. FUNKE. Well, I think that Federal crop insurance should be much simpler than what it is today. I think, as Mr. Cochran explained, we're already losing too much before we can collect. On 150 bushels an acre average corn yield and we're at 130 ASC yield and I can only collect 89 bushels an acre, I already have a substantial loss.

Another problem I found with Federal crop insurance—and this is the first year I've taken it out—we talk about sustainable agriculture, alfalfa and hay, you can't get no insurance on that.

I think Federal crop insurance should be in some formula probably as simple as what hail insurance is. If I believe corn is going to be $2 this fall and I'm going to get 150 bushels an acre of corn and I'm going to cover my loss, I'll insure it for $2 a bushel.

Senator HARKIN. Craig, do you take crop insurance?

Mr. HILL. Yes. I have crop insurance on corn.

Senator HARKIN. Just the corn?

Mr. HILL. Yes. Yield levels on soybeans are so low I did not expect a disaster below that level, but I think it would be beneficial if our Federal crop insurance yield goals were tied to either the farm and/or the operator so that each farm would have its own yield potential or the operator would have yield potential in the performance of that farm. That's how we would put a threshold of guarantee on Federal crop insurance yields.

Senator HARKIN. Anybody else?

Dick.

Mr. THOMPSON. My father never used hail insurance or crop insurance during his farming career, and I followed. I'm not saying that's smart, but I think with diversity, spread your base, don't stick your head out too far to get it chopped off, it's one way to help avoid depending on that entirely.

Senator HARKIN. We're about to call this to a close.

Mr. GRAU. Briefly: one to simplify; two to protect the top end; and three to make sure that we can take the yields that we actually produce and protect them, and that would make it realistic to use the crop insurance.

Senator HARKIN. Any last thing?

I thank you all very much. I thank you for coming here this afternoon and providing this testimony.

Please keep in touch with us as we work through the 1990 farm bill either through my office or I'm sure Senator Leahy's office and let us know what your thinking is as we proceed on this matter.

Thank you very much.

Now what I would like to do is open it up for comments and questions from the floor. Secretary Cochran is kind enough to stay with us today, and he's going to be the moderator with the open microphone.

OPEN MICROPHONE TESTIMONY

Mr. COCHRAN. Tom, we have a number of people out here I'm sure who are going to want to make some statements, and I'm going to try to recognize them in order and move this thing along as fast as we can. We would ask each one of these people not to speak any more than 3 minutes, less if they can get it said in that time, so we can move it around and spread it out as much as we possibly can.

The CHAIRMAN. Mr. Secretary, I think you're going to find that your former experience as Speaker of the House is going to come in handy.

Mr. COCHRAN. Thank you.

The president of the Iowa Farm Bureau would like to have the mike for a moment.

STATEMENT OF MERLIN PLAGGE, PRESIDENT, IOWA FARM BUREAU

Mr. PLAGGE. I'll try to be brief. I think there's been some good testimony given here this afternoon, but as we attempt to write the new farm program legislation for the 1990's, there's 2 or 3 things that we need to keep in mind.

1985 FARM BILL

First of all, the 1985 bill I think has done what it was intended to when it was written. It has increased our exports. We exported more in 1988 than we did since we had it in the early 1980's. It did provide a safety net for farmers. I think farmers in the United States can compete with any farmers anywhere in the world, but they have to be on a level playing field. Until we have that level playing field, I think we need to provide a safety net, and, of course, I think there's some changes, some minor changes that need to be made for 5 years down the road.

FLEXIBILITY

One of those would be to provide some flexibility in what farmers plant. If we're going to have a market-oriented program, then we need to have the market dictate what they're going to plant.

BUDGET CONSTRAINTS

Two other issues very briefly. Budget constraints. I think we all understand that budget constraints will play a role in the development of the 1990 farm program legislation. We understand the importance of budget constraints. We understand the importance that we must have a balanced budget, but let's not balance it on the backs of agriculture. Agriculture is ready to take its fair share of the debts, but not let's overdo it.

THE ENVIRONMENTAL ISSUE

Finally, one more point: The environmental issue. The environmental issue will be an important issue in the development of the 1990 farm bill legislation. It should be. It's an issue that needs to be dealt with, and we want to deal with it.

The only thing I would caution is, first of all, the environmental issue is an emotional issue, and we need to deal with that, with fact and not fiction. We need to deal with it in sound reasoning and not emotion, and I think we in recent months have seen what happens when emotions run away with us.

We really do need to deal with this issue, and we can deal with this issue, and we can become less dependent on chemical farming.

We can work toward an era that will provide us with a cleaner environment, a better environment. We need to do this, but let's be sure we don't create unnecessary, unwarranted legislation that will prevent us from doing the practical things in farming that we've done over the years; that by doing those, we provide the American consumer with the most wholesome food in the world that is possible. And I think these are some of the things we need to keep in the back of our mind. [Applause.]

Mr. COCHRAN. Thank you.

We're going to go over here a moment to Gary Lamb, president of the Iowa Farmers Union, who had his hand up. Any of the rest of you now put your hand up.

STATEMENT OF GARY LAMB, PRESIDENT, IOWA FARMERS UNION

Mr. LAMB. I would simply like to thank you and commend Senator Leahy for holding perhaps the first and only 1990 farm bill hearing in the State of Iowa, and we welcome you and are very proud that you came to the heartland, Senator.

VIEWS AND IDEAS

As testimony is beginning on the 1990 farm bill, there will probably be a number of views and ideas brought forth in an attempt to stabilize agriculture in rural America.

NEEDS WILL BE DIFFERENT

Although they are interdependent on one another, the needs of some parts of agriculture can and are sometimes much different than the needs of the producers. And some of these voices will be speaking to those component parts.

BASIC QUESTIONS

Rather than express what the Iowa and the National Farmers Union believe needs to be done to address the 1990 farm bill, Senator, I would take this opportunity to simply ask some basic questions because I feel before we can support any idea, we have to understand the intent and the purpose of our idea and its final conclusion, how it will affect agriculture in rural America.

Therefore, no answer can be found until some basic questions are understood.

Is agriculture, because of its very nature and internal vulnerabilities, able to stabilize itself without some outside checks and balances? Can we balance supply with demand, address some level of fair returns to producers, protect and preserve vital land and water resources for future generations yet unborn, both urban and rural, and maintain a rural infrastructure and rural values around the family farm system without some form of Government assistance?

Can we really believe that a free market, without powerful influences both within and outside of agriculture, will be able to preserve what we all believe to be important to agriculture in rural America?

Or is it a little bit like wanting to travel a freeway without speed limits and patrolmen?

We may like the idea, but when we realize the casualties and the economic and physical destruction, we may have some second thoughts as to how free markets would affect agriculture.

The argument really isn't whether with today's technology we could theoretically eliminate thousands of farmers across the country and still produce enough food and fiber to meet domestic and export needs. The argument is whether there's economic, social and community values that are in the Nation's best interests and the interests of the rural communities that must be preserved to help determine the character of our Nation.

For the sake of time, Senator, I would enter many more questions in the form of written testimony along with an outline offered by the National Farmers Union on the 1990 farm bill and offer those in written testimony for you to look at at a later time.

Senator HARKIN. Without objection we will put those in the record.

Mr. LAMB. I wish I could give you the answers to these questions, Senator Leahy and Senator Harkin, but I cannot and probably should not because I feel that all of us, society as a whole, must determine what kind of agriculture, what kind of rural America and what kind of farm policy we want in the future.

PROUD HERITAGE

I can tell you that I'm a farmer who has tried my very best for nearly 40 years to feed this Nation and a great part of the world. My heritage, Senator Leahy, was apparently left to me by Peter Culp Lamb, who was 1 of 400 farmers who fought near the Concord Bridge during the Revolutionary War. That is what I consider to be a proud heritage, will probably end with my passing, because my two sons, one of whom was here a little while ago, and many other young people across this Nation no longer see a future in agriculture.

CONCERNS

I can tell you that I've watched our own communities wither and die. I've watched our young people leave our State. I've watched rural health care become a major concern across our State and other rural communities because we've lost equal appropriations for rural hospitals and doctors and in part because many people in rural communities cannot afford the ever increasing rural health care costs and insurance. I've watched us use and abuse our great natural resources by applying a fence row mentality and an economic equation in agriculture that I very seriously doubt any other industry would accept. Volume times loss will equal profit, and I question how much volume I or any other farmer must produce at a loss before we get cash-flow from our operations. [Applause.]

BRIDGE THE GAP BETWEEN COMMODITY PROGRAMS AND CONSERVATION PROGRAMS

I note, too, a few of my neighbors from 1982 through 1986 who committed suicide because they felt trapped in a world over which they had no control, and I would simply suggest, Senators, that somehow we begin to bridge the gap between commodity programs and conservation programs and create some incentives that would encourage at least some farmers to move toward more of a sustainable agriculture that will maximize our production capabilities, but do it in a more environmental and economically sound manner.

MOVE US IN A DIRECTION OF GLOBAL COOPERATION RATHER THAN GLOBAL CONFRONTATION

And I would also ask you Senators to somehow within the framework of the 1990 farm bill begin to move us in a direction of global cooperation rather than global confrontation that continually lowers the prices not only in this country, but around the world.

RESIST IF SOMEHOW WE ASK FOR SOMETHING TODAY THAT WILL DESTROY US TOMORROW

I realize the task of this responsibility before you is challenging and awesome, and I also realize you've received conflicting and confusing statements from producers themselves a great part of the time, but I would ask you to resist if somehow we ask for something today that will destroy us tomorrow.

I also want you to know that it is our responsibility to share in whatever decisions you make.

CONCLUSION

I thank you for your patience and concern and for coming to the State of Iowa, Senator Leahy, and I sincerely hope that somehow the great wisdom and vision that has always led this country will again find the answers in the 1990 farm bill for all of us.

Thank you, Senator, for being here.

[The prepared statement and attachments of Mr. Lamb appear at the conclusion of the hearing.]

The CHAIRMAN. Thank you.

Mr. COCHRAN. Marshall King, Iowa Cattlemen's Association.

STATEMENT OF MARSHALL KING, PRESIDENT, IOWA CATTLEMEN'S ASSOCIATION, BOONE, IA

Mr. KING. Thank you, Secretary Cochran.

BACKGROUND

As he said my name is Marshall King. I'm from Boone, Iowa. I'm a cattle feeder and a commercial cow-calf producer, and I'm currently president of the Iowa Cattlemen's Association. Just for a little orientation, this is a group of some 12,000 members and producer members in the State of Iowa, and any statements that I make reflect the policy of this entire body.

THREE ISSUES

I would confine my remarks very briefly if possible. Many of them have been stated previously. There will be three issues that I would like to touch on just very briefly.

UNWORKABLE SITUATION

The first one is the unworkable situation that we are working under that's been alluded to many times in the Federal Crop Insurance Program. Our organization believes specifically that it's not been working to its full capacity at all. We support Secretary Cochran's views and the fact that it needs to be totally modified and looked at from the top down. We also want to expand it specifically to include hay and forage production as well to benefit the cattle industry.

SEALING HIGH MOISTURE GRAIN

The second issue that I would like to touch on briefly—last year it was made possible for us for the first time to have the privilege of sealing high moisture grain on nonrecourse loans, which has been very beneficial to the livestock industry specifically the cattle industry here in the State of Iowa.

It is for various reasons that it has not been too workable. The rules are made burdensome and inefficient; one of them being that in order to do this you have to take this grain and have it weighed on certified scales. It is obvious, for distance and logistics, this is not very conceivable.

We would request that congressional action—based on the fact that the Federal crop insurance uses field verifications of yields and also the 1988 drought relief programs use field verification of yields to determine those yields as well, if those field verifications of yields were acceptable for those two Federal programs, why could we not utilize field verification of yields for high moisture corn production as well.

LEASEBACK OF ACREAGE CONSERVATION RESERVE ACRES

The third issue that I would like to bring to your attention very quickly today would be one that has not been mentioned. I thought it was skirted just a little bit, but I would like to expand on it briefly. This is a concept that we've been proposing for some time, and we are hoping it can be included in the farm program for the 1990's.

We suggest that the new farm program include a provision for leaseback of ACR or acreage conservation reserve acres. Currently these acres must be seeded, as has been mentioned many times, by a cover crop to control erosion, and weeds must somehow be controlled on that; sometimes very inadequately. Under the emergency situations these acres have been made available to provide feed and forage under very intense political pressures at times.

PROPOSALS

What we would propose is this: We would like to have congressional action to allow a buy-back or lease of set-aside acres annually at the individual producer's requests. Fees for the use of these set-aside acres would be set on an annual basis to be determined by Congress and to be done prior to the individual's decision to purchase them. Producers would have contracts for the use of these acres when they sign up for the farm program annually. This would also, as you mentioned, eliminate the emergency release of these acres by disaster declaration.

By so doing these things, we have three or four points that we think would be very adequately achieved. No. 1, several times after release of these set-aside acres by emergency situations weather conditions improve. You know what's happened. Our industry has received a lot of bad publicity from this. The cattle industry could be assured, as well as other people, of the use of these acres in their long-range planning, making it truly a business decision.

By rescinding the emergency release program, only those contracting for the use of these set-aside acres would have access to them. The lease-back provisions would then also encourage proper grass and legume management on these acres, and soil and wildlife conservation would benefit as well.

Implementation and utilization of our proposal will help repopulate the cattle industry, and that's a benefit to the commercial hay sectors.

And last, but certainly not least, would be USDA would generate income from these acres which could be used for other purposes to benefit agriculture or the cattle industry specifically.

This would conclude my remarks to both of you gentlemen, and I would ask that you give proper consideration to them as you begin your considerations.

I thank you, Senator Leahy, for coming to Iowa, and I will also submit to you a more detailed script of my proposals.

Thank you, again.

Ms. HUNTOON. Senators Leahy and Harkin, we have several people who want to testify. Would it be agreeable that we shorten comments to just 1 minute? If I hang onto this mike, do you think we can get a few more in?

The CHAIRMAN. I can stay for another 5 or 10 minutes.

Mr. COCHRAN. And I'm going to turn it over——

The CHAIRMAN. About 6 more minutes. I might mention that the best thing I've heard is from people who've submitted something and said, "Look, when you leave here, there's one point I want you to remember," and believe me, that's been the most effective testimony. Every time there's legislation and a person says, "Here is my statement, but, please, when you get on that airplane, remember one point, and here's the point," and I've never forgotten one of those.

Mr. COCHRAN. Thank you, Senator.

I'm going to turn it over to Ellen. I think she can crack the whip better.

STATEMENT OF DEAN McWILLIAMS, REGION III VICE PRESIDENT, NATIONAL CATTLEMEN'S ASSOCIATION, REPRESENTING NCA

Mr. McWILLIAMS. I'm Dean McWilliams representing NCA, Senator, region III vice president, and I need to explain that region III encompasses Iowa, Illinois, Wisconsin, Minnesota, and Missouri.

I'm going to make it very brief, but I would just like to outline some of the issues that were important to NCA 5 years ago were feed grains. I'll submit written testimony later.

REMARKS CONCERNING THE 1985 FARM BILL

The dairy farm program was a disaster for the cattle industry, and they don't think one commodity should be pitted against another one. Clear title was a great asset for us. In our view, the Food Security Act of 1985 was a success, and we stand ready, willing and able to assist the committee in any way we can to develop the 1990 farm bill.

ENVIRONMENT

NCA is concerned about the environment. If there's any questions that need input, we requested a method that's used to address the situation. NCA believes it's imperative to closely guard the private rights as to environmental laws. Farmers and ranchers are dependent on the Agriculture Committee to both defend and protect the property.

Certainly there are many new issues, but as I said, I will submit written testimony, and I appreciate the opportunity to make a brief statement.

Senator HARKIN. Thanks, Dean.

[The prepared statement of Mr. McWilliams appears at the conclusion of the hearing.]

STATEMENT OF BARB BERKENPAS, PROFESSIONAL BUSINESSWOMAN, ASHTON, IA

Ms. BERKENPAS. I'm a product of the sixties generation. I think I have to tell you——

Senator HARKIN. Would you please give your name and address because this will be part of the record here of the Senate hearing.

Ms. BERKENPAS. My name is Barb Berkenpas from Ashton, Iowa. As I was saying, as a product of the sixties generation, I might take my 2 minutes because I see a definite gender imbalance on this panel today.

Senator HARKIN. Very good observation.

CONCERN FOR FAMILY FARMS

Ms. BERKENPAS. I am a professional businesswoman. I'm here because I'm concerned about what's happening to our family farms, and I'm concerned about what's happening to our farm families.

QUESTION CONCERNING COST

As a professional businesswoman, I understand the cost of production. I understand margin of profit, and I understand risk management. What I fail to understand is: How can the American family farmer continue to produce food for our country and sell it far below his or her cost of production and be able to desire to continue farming?

A PRICE FOR THE PRODUCT THAT REFLECTS THE COST OF PRODUCTION

We must provide the family farmer with a farm bill that will assure that they will have the price for their product that reflects the cost of production plus enough more so they can provide a decent living for their families.

I told you that I am a professional businesswoman, and I am. The profession that I am in is production agriculture. I help to produce a quality product that the people of this country need. The business enterprise that I'm involved in is a family farm operation. At this point in time, I'm proud to be a farmer. I am a bit weary, but I am proud to be able to say that I am an American farmer.

Senator **Harkin**. Thank you very much.

The **Chairman**. I want you to know that is testimony that I will remember when I get on the plane, ma'am.

STATEMENT OF DAVID JENNINGS, FARMER, SOUTHERN IA

Mr. **Jennings**. I'm David Jennings, farmer from southern Iowa. I'm happy that you came to our great State to hear what we have to say because there's something that's not been mentioned today that troubles me very much, and that's the contracting increase in the food industry.

CONTRACT FEED BUSINESS IS VERY DISTURBING

I have been involved with checking out what's going on in the contract feed business. The ConAgras, and all those type of people, are getting control of our food industries by contracting out part of the work such as contract feeding of hogs and so forth, and to me this is very disturbing. They ask the people if they want to feed by contract, and these people are desperate enough that they will try to feed and make a living and do something, but the numbers don't work.

I've been following this for quite some time, and it depresses me very much to see our young men being taken in to the point that they think they can put up a new building and in a very short time pay for it when, in fact, they have trouble making ends meet.

This is something that I think the farm bill of 1990 will have an effect upon if you look at that fact and look at the fact that these people are getting benefits that should not be. The benefits of this program should be strictly for the family farmer, whether he be 20 years old or 60 years old.

Thank you.

Senator **Harkin**. Thank you.

The **Chairman**. Again, like the witness just before you, that's testimony I will remember when I get on the plane.

STATEMENT OF DOROTHY WURSTER, TEACHER, TINGLEY, IA

Mrs. **Wurster**. Senator Leahy and Senator Harkin, my name is Dorothy Wurster. My husband operates a small grain elevator in a small town. My son and his wife and children farm. I teach kindergarten.

CONSIDER THE SMALL AND MEDIUM SIZE FARMERS IN THE 1990 FARM BILL

All around you today you can see youth who have learned to achieve, strive and work for a goal. Kindergartners are too young to know what the American dream is all about. I'm sure that they're being sent a message. I wonder if these children will learn to struggle and to achieve as they watch their parents work and dream to pay off the mortgage so that the farm is really theirs, or will their life be, just to be one of the children of the workers on the large hacienda.

Let us never be distracted by the long-term social consequences of our actions in legislation. Let us never be distracted from the real question, who will own the land and who will control our food supply. And so, please, consider all legislation, particularly to small and medium size farmers.

Thank you.

[The prepared statement of Mrs. Wurster appears at the conclusion of the hearing.]

STATEMENT OF CHARLES PYATT, MEMBER, BOARD OF DIRECTORS, AMERICAN CORN GROWERS ASSOCIATION

Mr. Pyatt. My name is Charles Pyatt. I serve on the Board of American Corn Growers.

We do have some specific proposals I'll leave with you today dealing with the 1990 farm program.

CBOT AND THE JULY CONTRACT FOR SOYBEANS FIASCO

Today I would like to draw your attention to something, and that's the fiasco that is taking place in the Chicago Board of Trade in the July contract for soybeans which I'm sure you're well aware of.

It becomes quite apparent when you study this that the Chicago Board of Trade and Commodity Futures Trade Commission will no longer allow demand when it enters the pricing equation on commodities in this country. And as long as demand has been taken from this pricing equation, then I would urge you to withhold any support of all mandatory commodity checkoffs until such time as the Congress of the United States passes a meaningful legislation to correct the abuses that have taken place.

I also will leave with you a copy of an article from the 1920 Capper's Farmer Magazine which then Senator Capper had introduced legislation to correct the exact abuses that are taking place today. Things haven't changed in 70 years. I hope somebody within this Congress has enough guts and fortitude to take this bill, and let's act on it.

Thank you. [Applause.]

[The prepared statement of Mr. Pyatt appears at the conclusion of the hearing.]

Editor's note.—"The American Corn Grower," volume I, No. 2, the publication of the American Corn Growers Association, January 1989 issue, is retained in the committee file.

The Chairman. Just a second. I should note for the audience that we had a—just before we recessed from the last session, we had a special briefing (the members of the committee) by Mr. Valukas, who is the U.S. Attorney in Chicago who has brought recent commodity charges in Chicago, as well as people from the Justice Department, the FBI, and the Commodity Futures Trading Commission. We will have a hearing the first Friday that we're back in session with the GAO to go over some of the things that will be done to tighten up trade in Chicago.

We can assure you that—this is all the members of the committee—this is going to be a matter of very, very close scrutiny by our committee this fall.

STATEMENT OF PAT DELANTY, PRESIDENT, IOWA SOYBEAN ASSOCIATION

Mr. DELANTY. Pat Delanty, president of the Iowa Soybean Association.

Senator, your remarks there, we definitely have a vested interest in the Chicago Board of Trade and what's happening.

FLEXIBILITY FOR PLANTING AND COMPETITIVENESS INTO THE WORLD MARKETS

Let me reiterate, the 1990 farm bill will impact all areas of the U.S. economy and social structure, rural communities, including our business and our schools. It's a very important undertaking we have here.

Flexibility has been mentioned today. Flexibility should not only be for planting, but also for prices so we may take our competitiveness into the world markets. That's very important.

Our soybean support needs to be restructured so we do not establish a price that the other world growers are able to undercut leaving us in a position of being a residual supplier. In essence, the Government becomes the residual supplier.

It should not be a requirement we must grow another crop such as corn just to protect our base. We encourage you to write the 1990 farm bill so it addresses these problems and allows us the profitability into the year 2000 and beyond.

I thank you.

Senator HARKIN. Thank you

STATEMENT OF ALAN WEISSHAAR, IOWA FARM UNITY COALITION, CRESTON, IA

Mr. WEISSHAAR. My name is Alan Weisshaar. I farm near Creston, and I'm here today representing the Iowa Farm Unity Coalition.

CONCERN ABOUT CONCENTRATION IN THE MEATPACKING INDUSTRY AND ITS EFFECT ON PRODUCERS, CONSUMERS, AND WORKERS

We are concerned about concentration in the meatpacking industry and the effect this concentration has on producers, consumers, and workers. We're also concerned that low commodity prices have helped to accelerate this concentration.

In the U.S. today, the big three in the meatpacking industry—IBP, ConAgra and Excel [Cargill], control 75 percent of the beef packing industry. That compares with 30 percent of the industry controlled by the top three just 6 years ago.

There is evidence of rapid concentration in the pork industry also. In Iowa, four firms control between 56 and 69 percent of the total hog slaughtering.

Rapid concentration in the meatpacking industry threatens Iowa's and the Nation's livestock industry and consumers alike. It can lead to price-fixing, loss of market choices for farmers, difficult conditions for workers and higher consumer prices.

The Iowa Farm Unity Coalition has launched a petition drive calling for congressional hearings to investigate concentration in the meatpacking industry and for enforcement of existing antitrust laws and a new initiative to stop further concentration in the industry.

We don't need a commitment today, Mr. Leahy, but we would like you to consider holding hearings out here in Iowa next winter or next spring, and I thank you.

The CHAIRMAN. I only have 5 minutes, and that's it.

STATEMENT OF DARWIN KOHL, ATTORNEY, CEDAR RAPIDS, IA

Mr. KOHL. My name is Darwin Kohl, and I'm from the Conway law firm in Cedar Rapids, Iowa.

FMHA LOANS—APPLICATION PROBLEMS

There is one item that I think you gentlemen should be aware of that's really important. These FmHA guaranteed loans that are being participated in with banks are running into a lot of troubles because the applications that have been sent to the FmHA have not been correct. A lot of farmers are being foreclosed on today for some of the early 1985 and 1986 FmHA guaranteed loans. We think you should take a special look at this and try to get some of these straightened out if at all possible.

Senator HARKIN. Thank you.

FCS CONTINUING TO WORK WITH FARMERS

Mr. KOHL. The other thing I would like to talk about for just a second is the 1987 Farm Credit Act. The Farm Credit Services, since 1987, has been working well with probably 50 to 60 percent of the farmers, getting them restructured on their loans so they can continue on the farm. I think this is very important also for you folks to know that they are working with some of the farmers so that they can continue in their farming operation.

Thank you very much.

[The prepared statement of Mr. Kohl appears at the conclusion of the hearing.]

Senator HARKIN. Thanks very much. I appreciate you being considerate of those behind you and keep up that consideration. We have only a few minutes left.

STATEMENT OF SHERYL RICH, WAUKON, IA

Ms. RICH. Sheryl Rich from Waukon, Iowa. Senator Harkin, I'm concerned about the farm preference bill which is very damaging to the Iowa farmers. Concerning, Senator Harkin and the Senate Committee, the farm preference bill which is damaging to the farmers of Iowa, it's been reported that this bill costs the Iowa farmers approximately 70 cents for every bushel of corn, soybeans, and wheat. Will you vote against the farm preference bill when it comes to the Senate floor?

Thank you.

Senator HARKIN. Thank you.

STATEMENT OF DONNA WINBURN, FARMER POWESHIEK COUNTY, IA

Ms. **WINBURN**. Thank you, Senators, for the privilege of being able to speak here today. I am Donna Winburn. I farm in partnership with my husband in Poweshiek County. We have an operation that now generates one-sixth of the gross income that it generated in 1980. We have two sons that will not be able to farm until we retire in 7 years.

FARM BILL WRITTEN FOR THE BENEFIT OF FARMERS AND NOT THE GRAIN EXPORTERS

We must have a farm bill written for the benefit of farmers and not the grain exporters for whom the 1985 farm bill was written for. We must stop being concerned about the soybean producers in South America and start being concerned about the producers in the United States.

FAMILY FARM IS NOT ABLE TO COMPETE

The family farm is not able to compete with the likes of ConAgra, Cargill, or Continental as long as our Government continues to subsidize them for one-third of the cost of production of corn with the so-called deficiency payment to farmers.

Until you throw out the disastrous bills we've had recently and use an entirely new approach geared to profitable production that allows the producers to afford the long-term care and conservation that we had before the 1980's, we will never preserve our ability to feed this Nation as we have been.

Thank you.

Senator **HARKIN**. Thank you very much.

STATEMENT OF GLEN WATERS, FARMER, WEST BRANCH, IA

Mr. **WATERS**. Good afternoon. My name is Glen Waters, and I'm from West Branch, Iowa, and I am an American farmer and taxpayer.

AREA OF WASTE INCLUDES THE LACK OF ACCOUNTABILITY WITHIN THE FEDERAL AGENCIES

You are undertaking the project to write the new 5-year farm bill. Your largest concern will involve budget constraints. One area of waste includes the lack of accountability within the Federal agencies. I am asking political leaders to take it personally upon themselves to make sure that the Federal investigation into the robbing of the taxpayers' dollars through the FmHA guaranteed loan program is not forgotten.

FCS AND FMHA BE MORE ACCOUNTABLE TO THE MISAPPROPRIATIONS WITHIN THE FEDERAL GUARANTEED PROGRAM

I ask that the Farm Credit Services and the Farmers Home Administration be more accountable to the misappropriations within the Federal guaranteed program. I see no sense in the allowance of the Farm Credit System setting up the farmer for his final demise and have the American taxpayer pick up the tab as the Farmers Home Administration looks the other way while writing the check.

Thank you.

Senator **Harkin**. Thank you.

[The prepared statement and attachment of Mr. Waters appear at the conclusion of the hearing.]

STATEMENT OF LARRY GINTER, MARSHALL COUNTY, IA

Mr. **Ginter**. I've been waiting for this chance all day, sir.

My name is Larry Ginter from Marshall County. When I get through speaking, you will probably either love me or hate me, both of you, but I feel these words have to be said.

IS THIS HEARING A MATTER OF RHETORIC?

Senator Harkin and Senator Leahy, isn't this hearing just a matter of rhetoric? I have to question the seriousness of Congress on whether they are really interested in what rural America has and is saying.

The reason I ask this question is my personal observation of agriculture history back 37 years to 1952, because over those years I have witnessed a total disruption and slow destruction of our rural infrastructure. Millions of farm families have left the land, some voluntarily with nary a whimper, others involuntarily, but their cries are still not heard by Congress and the President because the carnage continues.

450,000 FARMERS HAVE LEFT THE LAND

Even under the so-called Food Security Act of 1985, 450,000 farmers have left the land, and yet I hear Congressmen, business leaders, financiers, Farm Bureau leaders and economists say the farm bill is working. I ask, working for whom? Certainly not those who farm the land and who were forced from the land.

PARITY PROBLEM

Since the parity base period 1914 to 1920, our Nation has invested billions into agriculture research, technology, and labor, both on and off the farm.

With the use of that technology, farmers since 1946 have increased their production level 91 percent to feed an additional 100 million people in this Nation.

According to the latest USDA inflationary price index, a bushel of corn should be valued at a price floor of $5.34 to pay for agriculture investment both on and off the farm. Today the price floor is just $1.60 for a bushel of corn. I ask, where is the wisdom in underpricing our 69 years of agriculture investment in this Nation?

According to Mr. Vincent Rossiter, a banker from Huntington, Nebraska, who is also an economic analyst and he has studied the economic indicators over the past 30 to 40 years. Throughout his research he has estimated that during the years of 1952 through 1986 farmers lost income totaling two trillion four hundred ninety-six billion dollars all because of a lack of a parity price or the correct USDA inflationary price index.

The **Chairman**. Could I interrupt just a moment? When you are speaking so fast, we can't understand what you're saying, nor can the reporter. If you have that written out, could you just give it to her and she'll put it in the record.

Mr. **Ginter**. I'm sorry about that, but 1 minute or 2 minutes——

The **Chairman**. I understand. Unfortunately, you've taken a jump on this guy behind you. This will be part of the record. If you would give it to her so we can have it, that way I'll get a chance to read it when we get the record back.

Thank you.

Senator **Harkin**. That's the best way.

[The prepared statement of Mr. Ginter appears at the conclusion of the hearing.]

STATEMENT OF LESTER STEFFENS, PRESIDENT, IOWA STATE DAIRY ASSOCIATION, WEST UNION, IA

Mr. **Steffens**. Lester Steffens from West Union. I'm a dairy farmer, and I want to testify. I'm also president of the Iowa State Dairy Association, and in the essence of time, I'll make this in written testimony.

PROPOSE MANAGEMENT PROGRAM

I think we've had several programs that have been very successful that both of you Senators have worked on. Our diversion program and our buyout program were successful, but they were short term, and I think our national promotion has worked real well and has raised the consumption of dairy products up 13½ percent, and I propose my management program, specifically the two-term program would work. It will not cost the Government a lot of money, and again it will help the farmer's income.

Thank you.

[The prepared statement of Mr. Steffens appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much.

Ladies and gentlemen, we have now gone through 25 to 30 witnesses. I think it's been one of the best meetings our committee has had. Some of you may have felt that you were rushed, but when you get the transcript back with your remarks, please look at it carefully, add anything you felt you forgot or did not get a chance to get through clearly.

I cannot emphasize to you enough how important this hearing was for the 1990 farmer. It will be—and I know for a fact this year it will be the only meeting held here in the Midwest at the co-committee level. So what you have said is magnified more than what you may think.

Again, I can't thank the panel and all of the others enough for being here and Secretary Cochran for inviting me out. He did it very kindly. He said I could come on my own or he would come to my apartment in Vermont and drag me out. So I came voluntarily. I'm delighted I did. I appreciate it very, very much and appreciate the time of all of those who took time to chat with us both at lunch.

Senator **Harkin**. Mr. Chairman, thank you very much. It's most appreciated for you to take a whole day out of your life to come out here to Iowa. As you can tell from all of these witnesses that have testified, both from up here and those that have spoken from the floor, yes, we're going to diversify. We're going to do a lot of things in Iowa, but we still have to understand that agriculture is still the heart and soul of our State of Iowa. It's the wellstream of which everything comes from the State of Iowa, and the people you've heard from here may have divergent views on what to do, but that's the healthiest for our system. Then we all get together and we talk about what we want, and out of that we try to work out some kind of meaningful compromise and some path in the future.

All I want is for all of you to know that you have never had a better chairman than the chairman of the Senate Agriculture Committee in that he cares very deeply about this country. He cares very deeply and strongly about rural America and the people that live in rural America. People who live in small towns and communities and people who farm have never had a better friend than the chairman of the Senate Agriculture Committee, Senator Pat Leahy from Vermont, and let's give him a good hand. [Applause.]

[Whereupon, at 4:55 p.m., the committee recessed, to reconvene at 8 a.m., Monday, October 16, 1989, Mitchell-Baker Comprehensive High School Auditorium, Camilla, GA.]

[Material submitted for inclusion in the record follows:]

APPENDIX

PREPARED STATEMENT OF DALE M. COCHRAN, IOWA SECRETARY OF AGRICULTURE, DES MOINES, IA

Mr. Chairman, Senators, distinguished guests. I very much appreciate this opportunity to appear before you today here at the Iowa State Fair, the annual showcase of this State's rich agricultural traditions. You are here to begin to chart the future course for American agriculture. Yet before we can move ahead to an agricultural system that guarantees stable income for farmers, safe and wholesome food for our citizens and preservation of our resources, we must step back and look at where we have been.

I want to put my testimony in perspective by pointing out that I am Iowa Secretary of Agriculture and I have also farmed for more than 30 years.

Unquestionably, the 1980's has been a difficult decade for American agriculture. Low commodity prices, huge production surpluses, high interest rates and a high-priced dollar created a boom-bust cycle that led to the worst economic crisis in rural America since the Great Depression. Since 1980, our State has lost 14,000 family farms. The result can be seen in our rural communities, where thousands of businesses have closed and people have packed up and moved away.

The Food Security Act of 1985, which is better known as the 1985 farm bill, restored some measure of financial stability to agriculture. The 1985 law has provided some major benefits, but there are areas of needed improvement. At the time you passed it, that stability was essential to our farmers because the marketplace had failed us. The marketplace has failed us so badly since the 1985 act was passed that more than half of farmers' net income has had to come from Government payments in order for our farmers to survive.

Ideally, the 1990 farm bill would provide agriculture with a transition from an era of heavy subsidies to a future where the market would serve as the primary source of farm income.

However, a check back into history would indicate that a financial safety net is in order to protect our agricultural base.

Farmers struggle with conditions over which they have no control. Far too many times the marketplace has failed us because of worldwide market conditions, foreign government subsidies, overproduction, or control by strong, private economic interests such as large, international grain conglomerates.

There are some, including our current U.S. Secretary of Agriculture, who are saying that the current level of farm income protection should be reduced to the $3 billion to $4 billion levels of the 1970's. They're saying agriculture cannot afford to break the bank and that farmers need to do their share to reduce the Federal budget deficit.

You don't hear Secretary Cheney calling for cuts in Pentagon spending to the levels of the 1970's. Nor do you hear Secretary Kemp asking that the budget for HUD be cut back to early 1970's levels. As House Agriculture Committee Chairman Kika de la Garza remarked recently, the people at HUD can steal more during the lunch hour than our farmers receive all year.

Why then is the Secretary of Agriculture promoting an idea that would cut farmers income to the levels they earned 20 years ago?

Let me remind you that agriculture already has done far more than its share and it's time that we as agricultural leaders stand up and be advocates for our farmers and not be apologetic. Every dollar that ends up in the hands of our farmers turns over seven times in our economy creating new jobs and new tax revenue for our Treasury.

The financial safety net for our farmers already has been more than cut in half since 1986 when farmers received $26 billion in Government payments. This year, the total cost of support payments to farmers will be about $11 billion.

And we are not the only nation providing subsidies to farmers. In fact, our trading competitors all subsidize their farmers more heavily than we do.

In Japan, the average farmer collects up 60 percent of his income from subsidies, while in EC up to 40 percent of farm income comes from government treasuries. The individual American farmer simply cannot compete against the combined treasuries of foreign governments.

In return for the income protection we provide to our farmers, our citizens enjoy the lowest food prices anywhere on Earth. The average American spends only 13 percent of his or her disposable income at the grocery store.

Compare that with the French, who spend 20 percent of their disposable income on food, the Japanese, who spend 22 percent, the Soviets, who spend 37 percent of their income on food, the people of India, who spend 56 percent of their income on food.

Which would the consumer prefer—cheap food and high subsidies to farmers, or forcing families off the farm by taking away those subsidies and replacing them with large corporations, which could bring about high prices at the food counter? I submit the consumer will pick low prices and family farmers.

The centerpiece of the 1985 act featuring deficiency payments and providing a safety net by making up the difference between the market price and a target price is a feature that needs to be maintained. However, I suggest we talk in terms of setting the target price at the 1986 level and then working hard to bring the market price up.

The new farm law not only must protect farmers' incomes, but must work to raise them by making the United States a more aggressive marketer, especially of value added agricultural products, which will yield far more income and jobs for our people and take some of the pressure off our financial assistance program, and could provide a higher share of income at the marketplace. This in turn would reduce the taxpayer's burden.

We could also take some of the pressure off the financial assistance program by restructuring our crop insurance system to give the farmer more options to better protect his investment against elements beyond his control. I call upon Congress to carefully study our present crop insurance program and come up with a major overhaul that will provide farmers with security the present program does not offer.

Farmers also must be given more freedom to decide what and how much they will plant so they can respond to market demands, rather than be forced to maintain base acres of program crops in order to participate in Government farm programs. This acreage-based program has no relationship to world demand for commodities and discourages farmers from diversifying their agricultural production.

Secondly, the new program must take steps to make sure Government assistance goes to those who truly need it, primarily family farmers. Under current law, large corporations can subdivide their holdings to farm the Federal Treasury and circumvent the $50,000 limit placed on individual benefits in the 1985 law.

Farmers are willing to take the lead in preserving and enhancing our Nation's natural resources. But they must be given the financial tools to do it.

The new farm law must provide for additional research to improve water quality and reduce erosion. It must also give the Environmental Protection Agency more resources to determine the safety of all agricultural chemicals.

One of the best features of the 1985 farm act was the Conservation Reserve Program. Let's not lose it. Let's improve it.

The 1985 farm law began in earnest the task of taking environmentally fragile and highly erodible land out of production. Unfortunately, it does not address the issue permanently.

In as little as 7 years from now, Government leases of some of these fragile lands that were enrolled in the CRP will expire. This could mean that some of those lands will return to crop production. I urge the committee to include in the 1990 farm law provisions to keep the most sensitive land out of production permanently and to provide financial assistance to implement soil and water conservation practices, particularly tree planting, as the CRP leases run out.

Assuring the safety of our food chain has to be the paramount concern of all Government farm programs. It seems incomprehensible to me that chemicals banned for use in the United States because they are dangerous to humans are allowed to come into this country in the form of imported agricultural products.

If a chemical is too dangerous to use here, it is too dangerous to use anywhere and certainly should not be allowed to enter OUR food chain.

One other area that must be addressed is the issue of farm safety. Farming is America's most dangerous occupation. In 1986, an estimated 1,600 people died of injuries or illnesses they suffered on the farm. That figure does not include nearly 300 children who are killed annually while engaged in farm-related activities.

The new farm law must include funding for research into new types of equipment and practices that will make farming a safer occupation and to fund a nationwide educational effort to show farmers how to farm their operations more safely. The Iowa Legislature enacted a farm safety program this spring, but our Governor showed a lack of sensitivity to this problem and vetoed funding for the program.

American agriculture has managed, with considerable pain, to withstand all the adversity imaginable during the past decade, and now stands poised to assure our future generations a safe and reliable food supply in a clean environment.

In return, we must provide our farmers an attractive business environment that assures them that their hard work will be profitable and a quality of life that makes our rural areas attractive places for future generations.

I thank you for the opportunity to address you today and I will be happy to respond to your questions.

PREPARED STATEMENT OF NEIL E. HARL, CHARLES F. CURTISS DISTINGUISHED PROFESSOR IN AGRICULTURE, DEPARTMENT OF ECONOMICS, PROFESSOR OF ECONOMICS, IOWA STATE UNIVERSITY, AMES, IA

Any review of the economic impact of the Food Security Act of 1985 should take into account the unique circumstances during the period leading up to enactment of that legislation and the continuing problems in agriculture in dealing with excess debt during the years since its passage. In my view, the Food Security Act of 1985 made highly important contributions to the financial health of U.S. agriculture during one of the most traumatic periods the sector has known. Agriculture, in the 1980's, was suffering from two problems:

(1) Too much debt, concentrated in too few hands; and

(2) Overproduction of basic agricultural commodities given extant demand conditions.

Agriculture's woes were heavily attributable to forces arising outside of agriculture:

(1) Behavioral changes that accompanied the continuation of high rates of inflation in the 1970's;

(2) Actions in 1979 by the Federal Reserve Board to bring inflation under control through the tightening of credit and resultant high real and nominal interest rates; and

(3) The huge Federal budget deficits (attributable, in my opinion, heavily to the tax cuts of 1981) that kept interest rates elevated for an extended period in this decade.

These forces created an unfriendly economic environment for agriculture. As a consequence, U.S. farm policy was consigned to a role of neutralizing the economic effects of that unfriendly economic environment. As is now well known, the outcome was costly in terms of budget outlays. The budget exposure should be viewed, however, *as a consequence of forces originating outside the agriculture sector.* As a sector of the economy with a relatively low rate of return on assets and nearly perfect competition in decisionmaking, agriculture was uniquely impacted.

I. DEBT OUTSTANDING

Total farm debt outstanding in the United States totaled $13.1 billion in 1950.

That figure rose to slightly more than $22 billion in 1960, to almost $49 billion in 1970 and to a little more than $100 billion in 1976. The amount of farm debt rose sharply in the years after 1976 as shown in table 1 with the total skyrocketing to a peak of over $217 billion nationally in 1982. Total farm debt declined each year after 1982 as debt was paid off by those able to do so, as debt was restructured and forgiven and as debt was discharged in bankruptcy. Total debt stood at about $188 billion at the end of 1986 and dropped to about $158 billion at the end of 1988 (including Commodity Credit Corporation (CCC) loans).

TABLE 1.—TOTAL FARM DEBT OUTSTANDING, JANUARY 1, 1971–1988

[Dollars in millions]

Year	Real estate	Non-real estate	Total
1971	$32,381	$27,186	$59,567
1975	49,853	47,837	91,690
1976	55,412	48,701	104,113
1977	63,949	59,135	123,084
1978	72,757	68,474	141,231
1979	86,755	79,442	155,197
1980	97,487	84,746	182,233
1981	107,230	94,858	202,088
1982	111,311	106,308	217,620
1983	113,722	102,655	216,377
1984	112,423	100,334	212,757
1985	105,851	99,204	205,055
1986	95,782	89,715	185,497
1987	87,412	80,730	168,142
1988	[1] 82,709	[1] 75,759	[1] 158,468

[1] Preliminary figures.

Source: USDA, ERS, ***Economic Indicators of the Farm Sector, National Financial Summary, 1987,*** October, 1988.

As a percentage of farm income, the growth of farm debt was even more striking. From a level of 92 percent of net farm income in 1960, debt rose to 334 percent of net farm income in 1975, to 795 percent of net farm income in 1980 and to 1,350 percent of net farm income in 1983.

The unprecedented drop in farm debt was accompanied by a 34 percent decline in farmland values for the United States (63 percent in Iowa) and a decline of more than 31 percent in value of U.S. farm assets from $1,005 billion in 1981 to $691 billion in 1987.[1]

II. DISTRIBUTION OF DEBT

Iowa data on the distribution of debt chronicle the payment of debt and discharge of debt since 1984. The six annual farm finance surveys conducted commencing in 1984 show a gradual improvement in financial position beginning in 1987. As shown in table 2,[2] farm debtors have been classified in recent years on the basis of return to equity and debt-to-asset ratio in terms of financial condition as strong, stable, weak and severe. The categories of weak and severe represent debtors who must, at a minimum, restructure loans in order to survive. Those two categories comprised 30 percent of the total in 1986, 26 percent in 1987, 21 percent in 1988 and 19 percent in 1989. At the same time, the amount of debt held by those two groups of farmers increased from 53 percent of the total in 1985 to 56 percent in 1986 and then declined to 49 percent in 1987, 40 percent in 1988 and 33 percent in 1989.

TABLE 2.—CHANGES IN DISTRIBUTION OF IOWA FARMERS AND CHARACTERISTICS BY FINANCIAL POSITION IN 1989, 1988, 1987, 1986, AND 1985

Financial characteristics	Financial position				Total
	Strong	Stable	Weak	Severe	
Distribution of operators (percent):					
January 1, 1989	39	42	14	5	100
January 1, 1988	48	31	15	6	100
January 1, 1987	45	29	15	11	100
January 1, 1986	32	37	18	13	100
January 1, 1985	28	42	18	12	100

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[1] U.S. Department of Agriculture, Economic Research Service, Agricultural Finance: Situation and Outlook Report, AFO-28, April, 1988.

[2] 1989 Iowa Farm Finance Survey, table 6, Iowa State University, PA #84, June 6, 1989.

TABLE 2.—CHANGES IN DISTRIBUTION OF IOWA FARMERS AND CHARACTERISTICS BY FINANCIAL POSITION IN 1989, 1988, 1987, 1986, AND 1985—Continued

Financial characteristics	Financial position				Total
	Strong	Stable	Weak	Severe	
Asset distribution (percent):					
January 1, 1989	43	44	10	3	100
January 1, 1988	50	34	12	4	100
January 1, 1987	47	32	13	8	100
January 1, 1986	33	40	16	11	100
January 1, 1985	27	45	18	10	100
Debt distribution (percent):					
January 1, 1989	24	43	21	12	100
January 1, 1988	25	35	25	15	100
January 1, 1987	20	31	25	24	100
January 1, 1986	14	30	27	29	100
January 1, 1985	12	35	29	24	100

Sources: ***Iowa Farm Finance Survey,*** 1989; 1988; 1987; 1986; 1985.

III. IMPACT OF FAVORABLE FARM INCOME

As noted, these data reflect in part a massive reduction of farm debt as farm loans have been restructured and excess loan balances have been discharged. The data also reflect the effects of record and near-record levels of net farm income in recent years. As shown in table 3, net farm income exceeded $46 billion in 1987. While net farm income dropped significantly in 1988 and is expected to be below 1987 levels in 1989, the relatively high net farm income levels since 1986 have been enormously helpful to heavily indebted farmers and to others in rural communities who have been financially stressed. It would be difficult to overstate the importance of the Food Security Act of 1985 in terms of enhanced economic buoyancy that has enabled many heavily indebted farmers to meet all or part of their debt obligations.

TABLE 3.—FARM INCOME IN 1987, 1988, AND 1989

[In billions of dollars]

	1987	[1] 1988	[1] 1989
Receipts	$138	$149	$148 to $152
Direct payments	17	14	10 to 12
Cash expenses	103	111	115 to 118
Inventory change	−1	−9	8 to 10
Net farm income	46	39	44 to 48
Net cash income	57	57	48 to 52

[1] Forecast.

Source: ERS, USDA.

IV. THE ECONOMIC SETTING FOR THE 1990 FARM BILL

As debate was commencing on the 1985 farm bill, the farm debt crisis burst on the scene and arguably influenced the resulting legislation. It would appear that more than 90 percent of the problem farm debt will have been worked through by the time final debate begins on the 1990 farm legislation. There are, as noted earlier, substantial debt problems remaining, however. As portrayed in table 2, as of January 1, 1989, 19 percent of the farmers were in weak or severe financial condition; that group held 13 percent of the assets but were responsible for 33 percent of the farm debt. Even assuming favorable income conditions in 1989 and 1990, it is anticipated that well over 10 percent of the farmers by 1991 will continue to have serious debt problems. A substantial reduction of farm income would jeopardize that group. A sharp rise in interest rates would also have a devastating effect on that segment of farmers.

Another feature of the economic environment should be noted as debate takes place on the 1990 farm bill. If the 1990's are a decade of transition for U.S. farm policy, with agriculture transitioning to greater reliance on market forces, fewer trade barriers and more concern about the environment, the outcome is expected to be reduced farm income and shifts in land use. Without much doubt, Federal farm programs have tended to keep marginal lands in the production of program crops as up to one-third of the more productive land base has been idled under annual and 10-year land retirement programs. Greater reliance on the market as a guide for decisionmaking at the farm level is defensible but one outcome is expected to be less idling of the better land, pressure on returns to land and a transitioning of less productive land to grazing. Such a shift would impact farmers, of course, but it would also affect rural communities surrounded by less productive land. The impact would be particularly notable for those providing inputs and those handling, storing and processing outputs from intensive program crop agriculture. The outcome could well exacerbate debt problems in those areas and would pose significant problems of servicing farm debt for a larger group even on the more productive lands.

V. CONCLUSION

Experience of the past decade has demonstrated the importance of a global approach to U.S. food and agriculture policy. Attempting to influence farm income, assure an adequate supply of food and fiber and balance demand and supply of commodities long term with only a national view of the problem is fraught with difficulty.

A global approach should take into account several prominent features of the international arena including a desire to:

(1) Lower subsidy levels;

(2) Reduce economic distortions in production patterns;

(3) Achieve higher levels of environmental quality;

(4) Address concerns about food security in countries likely to be heavy importers of foodstuffs under a rational economic order;

(5) Respond to worries about the continued viability of inefficient agricultural producers, particularly in countries dominated by small farms;

(6) Address the problems of instability in fiscal and monetary policy and other factors that serve to destabilize international exchange rates; and

(7) Assure adequate food reserves in a world that continues to be buffeted by adverse weather conditions.

The challenge is to develop appropriate policies that are market driven but that recognize the realities of food production and distribution on a global basis.

PREPARED STATEMENT OF TOM GRAU, CORN AND SOYBEAN FARMER, NEWELL, IA

Mr. Chairman: I am Tom Grau, a corn and soybean farmer from Newell, Iowa.

Most recently, I have served as cochairman of Congressman Dick Gephardt's 1988 Presidential campaign in Iowa; chairman and president of the National Corn Development Foundation, 1986 and 1987; a delegate in U.S. agricultural trade missions to China and Japan (1986) and to Japan, Taiwan and South Korea (1985). I also served as president of the Iowa Corn Promotion Board, 1985–86.

I have been asked to speak today in regard to the 1990 Food Securities Act, and I wish to congratulate the Senate Agriculture Committee for their willingness to provide this forum in Iowa to gather input from farmers and other rural residents.

Mr. Chairman, honored guests, panel members, fellow farmers:

You won't find the Heartland on any map, but you are in the heart of it today. The Heartland is everywhere that rural Americans grow up in families that share a love of the land and the life it gives.

I grew up in such a family. That family includes the now-retired couple who taught me to leave land better than it was when I received it. It includes myself and my wife, career farmers who seek security for our family. It also includes a 1-year-old daughter. What will her future hold?

Farmers nationwide are also a family of sorts. When they stand together, the future is assured. The 1990 farm bill will do much to decide the future of my own small family, and will just as surely chart the course for the huge family of American farming.

The problems and issues that will face rural America as the 1990 bill flexes its muscle can be divided into three fields—**International policy. United States policy. And local policy.** *What happens on all three levels as we ponder this bill will be* *more than political rhetoric, it will be the turning points that will shape the rural life our sons and daughters will inherit.*

FIRST, THE INTERNATIONAL LEVEL

As we pursue the important avenues of trade and market development, and as we negotiate with other countries; we need a farm policy at home that will allow us to do so—but never at the expense of rural America.

OPEN TRADE

We as farmers do not fear it, in fact, we see it as ideal. We can compete with anyone, anywhere in the world. But we need a dose of realism to temper that competitive spirit.

If the United States cuts price supports faster than the rest of the world, we will put rural America in a tailspin. If we proceed with proper cautions, we can fight fire with fire and prosper. The Export Enhancement Program has worked well in our trade interests.

In overseas market development, we must encourage all who promote ag products to work in harmony. Commodity groups have done a variety of excellent work in overseas development. **Now, we must ask ourselves what our accomplishments can be if all our shoulders are put to the same tasks.** We must bring ag groups together to coordinate our efforts, from our fields all the way to the marketplaces in far corners of the world.

An example that comes to mind dates from my trip to a South Korean harbor. The place was built with American money, yet all the ships doing trade there that day flew other flags. American development assistance should give Americans teeth in trading with other countries.

Perhaps more of the Government funding provided for market development should be routed to encourage such cooperation. Many of us here today are modest Iowa farmers, but our horizons today have to stretch far beyond the borders of our fields, and of our Nation.

SECOND, LET'S TOUCH ON NATIONAL ISSUES

The key terms for 1990 and beyond will be flexibility, simplicity, and incentives.

Flexibility must be stressed in our programs to adapt to an ever-changing agricultural arena.

Who will govern that flexibility? I say we must be sure not to allow full control of this flexibility by the Secretary of Agriculture, who could wield it to cut farmer support prices.

The discretionary authority is a must for the 1990 farm bill, and could best be governed through a three individual format—including the Secretary of Agriculture but also the chairmen of the Agriculture Committees in both the U.S House and Senate; with majority rule.

We have seen that the Secretary has not always reacted quickly enough to change—an example would be the recent delay in extending the farmers' own grain reserve, which if not extended would have cost the taxpayer money. Three minds, I feel, are better than one.

Simplicity can be embodied through change in the farmer-owned grain reserve program.

Grain elevators already need only to confirm bushel and grade as they store grain for the CCC. Farmers, however, do not have those luxuries.

For example, at one time my father and I had 12 structures of stored grain for the CCC. Each time we changed the location, to keep the grain in better condition, we were forced to seek permission, then physically have the grain remeasured. How ridiculous!

When farmers can simply sign a paper indicating volume and grade, as elevators already do, then we have achieved simplicity—and savings.

I would suggest two more improvements. One would be to give farmers set-aside based on their total acreage, without segmenting by crop-specific bases, then let them determine what should be planted based on the fluctuating market.

Also, payment limitations are important, but should be redistributed so those actually farming the ground they own have higher limitations than those who do not. Again, simplicity.

Incentives were not at the heart of the 1985 farm bill.

We must continue to keep our price support system as long as unfair trade exists, but let's make our support system an incentive system, not like those of the past.

Imagine an outstanding young man or woman trying to make the decision to farm after college in 1985. Trying to project income, using corn as an example, the only "known" is that he or she would receive over $3 per bushel in 1985, $2.75 in 1990. This is hardly an incentive, in fact, you could consider it as the opposite.

Let's change the target system to benefit all in the United States. To do this, we need to set the target price at a fair level that will meet farm and budget considerations, then keep it constant.

Next, we need to add incentives. A prime example would be grain quality, which can be rewarded at harvest with a few cents more in loan to the producer whose performance deserves it.

Incentives can also play a key role in protection of the environment. Like in my family, many farmers have heard their parents encourage us to leave the land better than we found it—we as farmers are concerned about water and air quality and soil conservation.

As parameters could be determined by nonbiased sources to improve the environment, they would reward the farmer who meets these specifications, not penalize them. Why not give the farmer an extra 5 cents a bushel in loan if he consents to idle land around a stream or watershed.

The Conservation Reserve Program has proven excellent, but needs to be reevaluated. Some types of land is more important to take out of production than others—when efficiency is stressed, we can get more bang for the buck.

An example is a recent project designed by the Buena Vista County Soil and Water Conservation District Commissions, that can be a model for conservation and taxpayer savings.

In brief, silt and contaminants have been filtering into the recreational lake at Storm Lake for years. It has been dredged at least twice over the years at great expense. If farmers in the watershed can be enticed to put their land in the Conservation Reserve Program, benefits will include preservation of water depth, purity, wildlife population, fishing, and recreational assets. A few modifications in the CRP program could get such ambitious projects done. (See attached information.)

The CRP program should also encourage joint ventures with private enterprise and interested individuals to get important projects underway—tree plantings, wetland habitat, and recreational facilities are worth more than planted grass.

Let's plan carefully the future of our environmental project policy and our recreational efforts, so that future generations won't face the option of tearing this work out in order to make a little more money. A prime example is the fate many federally funded terraces which were bulldozed in the 1970's.

In the 1990 farm bill and other legislation, we need to expand research and industrial uses of agricultural products. We have a tremendous renewable resource, policy regarding it must be long term and long sighted.

A good example is ethanol. The 6 cent per gallon exemption from Federal fuel excise tax should definitely be extended to 2010. This will encourage use of growth of a product that has proven capable of reducing carbon monoxide in cities such as Denver. Degradable plastic bags and soy inks are good examples of the fruits of product development labor.

THIRD AND FINALLY, THE LOCAL LEVEL

As important as the world scene, local issues should always take root in the farmer's mind.

Each program that is developed by the experts on the national level should accurately reflect the grassroots volunteerism that exists in rural America.

The disaster of United Airlines Flight 232 that descended on Sioux City, Iowa, is a perfect example.

Individuals will give their time and talent in order to help others. That's what has put the heart in Heartland for generations. Literally hundreds gave of themselves after that airline disaster.

As we give rural grants, let's remember the lessons from those kinds of volunteer turnouts. If a community will donate many hours of labor and machinery toward a specific development project, let's reward them with financial grants. Urban renewal became a 1970's household phrase. With proper direction, RURAL DEVELOPMENT will become such a household term for the 1990's.

Rural development begins at home, on the grassroots level.

The things we have come together today to speak about can be tied together with one common bond—our concern for the future of rural America. We are concerned for our parents, for ourselves, and especially for our children. These issues are not

politics, they are family matters—for our families and the family of farmers nationwide.

As I speak here today, some of my words were handed down over years of wisdom from my parents; others came to me during the joint labors shared with my wife. Many were inspired by my dreams for my 1-year-old Michelle.

Family. Past. Present. Future. These are the inspiration for the hearing you have brought to Iowa today, and for the ideas we are airing here.

Mr. Chairman, thank you

[Attachment follows:]

STORM LAKE PRESERVATION PROJECT

(By Buena Vista County Soil and Water Conservation District Commissioners)

PURPOSE

The Storm Lake Preservation Project will strive to maintain a high quality lake that is both beneficial to wildlife and public recreation.

If we continue to allow both silt and contaminants to enter the lake we will be faced with a much greater problem in upcoming years. The costly removal by dredge is no longer a practical alternative. Dredging has been tried in the past and is, at best, a short-term solution. Cleanup of contaminants like nitrogen fertilizers once they have entered the lake is impossible.

If we were to start now and target a project specifically designed to reduce soil loss and water runoff in the drainage area of Storm Lake we could control the destiny of our lake. The project we propose is quite simple, by using the federally funded 10-year Conservation Reserve Program, highly erodible areas can be seeded down and filter strips can be planted along streams.

GOALS

1. Preserve water quality of the lake.
A. Depth;
B. Fishing;
C. Waterfowl; and
D. Recreation.
2. Draw more people to Storm Lake area.
3. Save community funds that would otherwise be needed to dredge the lake for other projects. The Storm Lake bike path is one project that could be funded with the money saved.
4. Increase wildlife cover in drainage area of lake.
5. Soil and water conservation education program for owners and operators of farms within the drainage area of lake.

PLAN OF ACTION

A. The Conservation Reserve Program which allows farmers to retire cropland for 10 years at a time will be used as a means for landowners to idle both highly erodible areas and portions of fields adjacent to waterways and streams.

B. Landowners and operators will be identified who own or operate land within the drainage area of the lake.

C. Letters will be sent and educational meetings will be held to inform farmers of benefits of this project.

D. Advertising campaign will be started.

RECOMMENDED CHANGES TO THE CONSERVATION RESERVE PROGRAM

CONSERVATION RESERVE PROGRAM AND LAKE PRESERVATION PROJECTS

The Storm Lake Preservation Project could be an example for other lakes. The Conservation Reserve Program would be an excellent tool for protecting lakes from a slow death caused by silt and pollution.

We propose that some additions be made to the CRP program to enhance its use as a small watershed program for lake preservation. We are all becoming more aware of good water quality. Lake preservation projects like the one we propose for Storm Lake would be one way to get more public support for the Conservation Reserve Program.

Some enhancements to the CRP program for this kind of project include:

(1) Accept at $10 per acre more for land bid into CRP above lakes and wetland areas 50 acres or more in size. Also we would suggest allowing one standard bid for this type of project.

(2) Ease fencing requirements of filter strips. Fencing is not practical around filter strips if cattle are only grazing adjacent harvested cropland fields for a short period of time in fall.

(3) Allow filter strips along all waterways in lake drainage areas, not just perennially flowing streams. Much more silt could be trapped in these areas before it is carried off the field. The reduction of offsite movement of silt and contaminants would be as great or greater in these areas. These filter strips should also be allowed to be used as turn strips when planting. This would eliminate end rows planted along waterways creating erosion along edges of waterways.

(4) Allow odd area wetlands to be put into CRP even if prior converted. Even though these areas may not provide as much wetland benefit they still provide excellent silt traps.

(5) Reduce percent of highly erodible land to qualify a whole field into the CRP program when in a lake drainage area. Change eligibility requirement of field from 66 percent down to 33 percent highly erodible land in the field to qualify for CRP.

Prepared Statement of Richard L. Thompson, Farmer/Researcher, Boone, IA

My wife and I have a 300 acre diversified livestock and grain farm near Boone, Iowa on which we do research into low-input sustainable agriculture methods. Financial support from the Rodale Institute makes this possible. We did not begin farming this way but spent the first 10 years in a continuous corn program using high inputs of materials and borrowed capital, resulting in high levels of stress. The next 18 years, we changed to a more stable, low-input system which included a 5-year rotation to replace the previous monoculture. We truly believe we would have been bankrupt before now, had this change not taken place. One further change came 5 years ago when we fine tuned our practices into our present field of research.

Research in a Diversified Livestock-Grain System

Our main research emphasis has been how to combine the following components of livestock and their manures, a diversified rotation including fall cover crops in a ridge till system that uses no herbicides, all fitting into a profitable environmentally sound farm practice. The diversified rotation of corn-soybeans-corn-oats-hay make it possible to farm without soil insecticides. The diversification of livestock with beef cows and farrow to finish hogs that consume the crops and furnish the fertility for the crops. The livestock are raised without the use of antibiotics in the feed or water. We will treat animals medically if needed. Our manures and city sludge is carefully collected and stored in a cement bunker until time to spring apply and cover with a ridge till planter. These practices give the best agronomic, economical and environmental results. Storage methods and timing of application are both a vital tool in manure pollution prevention. Fall cover crops of hairy vetch and oats are overseeded into the row crops in late August to reduce soil erosion, produce nitrogen from the air for next years' crop, increase the earthworm population, improve soil structure, and produce allelopathic phytotoxins to help control weeds the following crop. The ridge till planter is used to remove the cover crop, push soil to cover the manure and plant the new crop without stirring up a weed problem. After planting the weeds are controlled by rotary hoeing and cultivation. A combination of these technologies and others will increase profits by $67 per acre on corn production and $57 on soybeans.

Research for Cash Grain Systems

People tell us it looks easy to reduce inputs on square flat fields with a livestock system to eat the forage and fertilize the fields. How do farmers use these same ideas without livestock and on contoured hills with pointed rows? An attempt to answer those two questions is with a 7-year cash grain/no livestock rotation. The rotation is corn/cover-soybeans/cover-oats/clover-corn/cover-soybeans/cover-oats/clover-rest. All crops are planted in eight row strips on permanent ridges. A mixture of hairy vetch and oats will be seeded over the soybeans and corn strips in late August. Hairy vetch is a legume and will fix nitrogen from the air and place it in the soil. The oats give us ground cover in the fall and the hairy vetch will cover the soil in the early spring. The 7th year rest period will allow two or three cuttings of clovers to be returned to the soil. The hairy vetch and clovers should furnish enough nitrogen for the two corn crops without needing to purchase additional nitrogen. The late spring nitrate nitrogen test will be used to determine if additional nitrogen is needed. The phosphorus and potassium needs will be met with a planter row application based on previous leaf and stalk tissue tests. These strategies and testing techniques will provide adequate fertility at low cost and low environmental impacts.

The ridge till without herbicides technology will reduce tillage costs and eliminate herbicide costs. If a weed problem should become serious, contact post herbicides could be used as a last resort. Research shows that if contact herbicides are used properly they do not pollute the ground water. However, the contact herbicide still remains a health risk to the farmer. This four crop rotation should not require insecticides which lower costs, environmental and health impacts. The two crop corn and soybean rotation is not safe anymore from the corn rootworm that overwinters two seasons.

This demonstration is on a 8 percent slope with ridges running both up and down and across the hill. This is an attempt to eliminate the pointed rows resulting from contouring terracing. There will be row crops only 4 years out of the 7. The only tillage will be summer cultivating during the four row crop years. We will depend on fall cover crops and residues left on the surface to increase earthworm numbers. All three items mentioned help improve infiltration of rain. The continuous ground cover will hold the soil in place. There will be no preplant tillage in any of the 7 years. The oats will be no-tilled in April into fall seeded hairy vetch on the soybean ridges. The oats and hairy vetch, which are growing together, are combined standing and the seed mixture is used for another fall seeded cover crop. Using our own seed plus some purchased hairy vetch makes the total cost of fall cover crops $6.60 per acre. The soybeans will be ridge tilled into the previous corn ridge and the corn will be ridge tilled into dead legume mulch left on the ridges. The annual and biennial legumes are programmed to winter kill so that no burn down herbicide will be needed. In this 7-year rotation, soybeans are always on the south side of the corn strip and the oats which will use the shade to an advantage is on the north side of the corn.

The diversified rotation of four crops will lessen the acres of corn and soybeans by 28 percent and the price will increase three times that count because of the inelastic demand for food products. Collectively this will work for farmers, but maybe not for an individual farmer. Individually, can we lower the cost enough to sustain a profit without the price increase? The old Biblical principle of farming 6 years and resting the soil 1 year is being put to the test in this demonstration. This is a voluntary 14 percent set-aside using no tax money.

Measurements of soil tilth, soil erosion, rain infiltration, ground cover, earthworm counts, weed counts, tissue tests for nutrient uptake, yields and economic analysis will be monitored on each strip. Will the 7-year program with the combination of old and new ideas sustain this hill, the farmers' pocketbook and the environment?

ON-FARM EXPERIMENTAL DESIGN

Agriculture needs appropriate research in profitable-environmental safe farming practices. If there are no new moneys, then there must be a change in the priorities of how the available money is to be spent. We need alternatives in farming, the same is true in research. I believe lower cost techniques are a partial solution to agriculture problems. Also lower cost techniques are needed in the research establishment so that the economic-environmental problems can be addressed now.

One way is to supplement (basic) university research with (applied) on-farm research. This is a complimentary, cooperative (not competitive) effort between farmers, extension and researchers. Farmers, with the help of extension and researchers, can do applied research strips on their own farms. The narrow side-by-side comparisons that go across the field can be machine planted and harvested with very small costs. Electronic scales on combines and weigh wagons make every farm a possible research site. These six randomized and replicated treatments can be analyzed statistically. These details are explained in a paper entitled "A Farmers Approach to On-Farm Design."

One-half of our 300 acre farm is in row crops. All of the 150 row crop acres are now into 200 experimental plots, dealing with different tillage practices, fertilizer rates (manure and purchased materials), cover crops and rotation experiments, weed trials with and without herbicides and tillage effects on weeds. These properly designed on-farm trials are being used by professional researchers for more complicated measurements that I can't do. In 1989, there are nine professional researchers collecting additional data from our own 18 experiments. A Leopold Center for Sustainable Agriculture, I.S.U. funded weed project, is being conducted on three other Practical Farmers of Iowa research farms. Extensive weed counts are being made between with and without herbicides in the ridge till system.

The long narrow design is being used on 19 on-farm research and demonstration locations throughout the Midwest. The States include Ohio, Indiana, Illinois, Iowa, Nebraska, Missouri, Minnesota, Wisconsin and Michigan. This work is being sponsored by the Rodale Institute. Practical Farmers of Iowa will use this same design on 27 locations throughout Iowa in 1989. Why all the emphasis about on-farm research? Pioneer Hybrid Seed Company did a survey of 1,000 midwest farmers which said that farmers are asking for convincing results that they can see on nearby farms. Farmers want unbiased results and preferably tests done by farmers.

IOWA ON-FARM RESEARCH EXPANSION

Practical Farmers of Iowa was started in 1985 to promote profitable environmental farming practices. The present membership is over 300 with 27 research cooperators. PFI is funded by private foundations, oil over-charge moneys through the Iowa Department of Agriculture and the Leopold Center. Results from the last 2 years' trials showed that lowering nitrogen rates 60 pounds per acre did not reduce corn yields. The new late spring nitrate-nitrogen test kit has been used to determine the nitrogen rates. Also ridge till soybeans without herbicides produced the same yields as when a herbicide was used. The on-farm coordinator has an ISU extension position. This may be the first in the Nation for a grassroots sustainable farm group to be tied directly with a land-grant institution.

INFORMATION TRANSFER

Technology transfer for on-farm results can be through summer field days and winter workshops. Information about sustainable agriculture will be found in the new farm magazine, Practical Farmer Newsletter and American Journal for Alternative Agriculture. The major newspapers and magazines are becoming much more interested in this subject. The National Academy of Sciences is ready to release their study on alternative farming systems in modern production agriculture. All of this is evidence to the fact that there is widespread interest in profitable environmental sound farming practices. Sharon and I have made 115 presentations in the United States and Canada and given 71 tours at our farm during the last 3 years with a total attendance of over 11,000 people. Also, a multitude of personal phone calls come in regularly inquiring for information.

RESEARCH FUNDING

Senator Leahy, your interest in sustainable agriculture goes back many years to your introduction of the Agriculture Productivity Act bill in the Senate, which has grown into the Low-Input Sustainable Agriculture Program called LISA. The $3.9 and $4.5 million appropriations has encouraged research projects in sustainable farm practices at the land-grant institutions. This is a good start but additional moneys are needed until sustainable practices are mainstream and would be incorporated into regular research. I have served on the LISA Technical Committee for 2 years. This last year I read 127 proposals from the 12 North Central States. The top 9 proposals exhausted all the money and many good ideas went unfunded.

Private foundations have been very supportive of sustainable agriculture. History tells us that private funding starts projects in needful areas and as other support comes along they proceed to other new areas. I see no reason why this will not happen in sustainable agriculture. Therefore, more State and Federal tax moneys will be needed. The Iowa State Legislature has had the forward thinking to create revenues for sustainable agriculture using oil overcharge moneys and taxing chemicals to support research in farming practices that protect our water supply. As a farmer of Iowa, I appreciate these efforts very much. Iowa is a good place to invest in sustainable agriculture. We have grassroots farmers, doing their own research, trying to find answers to agricultures problems. They started with no promises from private, State or Federal funding, just the desire to be part of the solution. What I'm saying is if you personally do your own project well, small or large, the funding will come later.

FARM POLICY

The expansion and specialization idea of the 1950's through the 1970's has bankrupt midwest agriculture. Now is the time to demonstrate diversity that will incorporate more people in agriculture and rebuild our rural communities.

We used the Government program in 1967 to change from continuous corn production back to a 5-year, corn-soybean-corn-oats-hay, rotation. It was difficult for several years to establish both oats and alfalfa because of the herbicide carryover. Herbicides have to be reduced for establishment of oats with legumes. Present Government programs do not encourage a diversified rotation, rather, farmers plant some continuous corn to keep up their corn base. The continuous corn requires more herbicides, insecticides and more nitrogen fertilizer. The present farm program increases, not reduces, inputs to produce crops that are already in surplus. The changing of the monoculture, high input practice to a diversified, lower input practice is what saved our farm from bankruptcy.

We cannot use the present Government program now because 40 percent of our acres are already seeded down. We are being penalized for taking better care of the land and for producing less surplus feed grains. The farm program has been biased against the diversified livestock-grain farm, while encouraging the monoculture farmer to keep his or her base acres at the highest possible number. Farmers cannot move to alternative crops because of present farm policy. The present farm program is not sustainable because of the national debt and the environmental crisis we face.

The 1985 farm bill was a start toward conserving the land. We have land in Iowa that is not highly erodible by definition, but these farms still have a serious water and wind erosion problem. The 1990 farm bill should address all lands where erosion is a problem, not just the designated highly erodible. The soil conservation primary emphasis on terrace building needs to be reexamined and reevaluated. Terraces promote expanded row crop production that results in further surpluses. They, in turn, depress prices even more. Diverse rotations, ridge tillage and strip cropping should be given priority over terraces.

The available technologies of the 1960's and 1970's that used more inputs made overproduction very easy. Commercial interests helped promote this increased production. Everybody is in agreement now that production has to be down sized. These commercial interests will not be there to promote reduced inputs. Therefore the Government should encourage lower input, profitable, environmentally sound agriculture. There is a need for all the voices in agriculture to say the same message.

PREPARED STATEMENT OF DAVID O. FUNKE, FARMER, DYERSVILLE, IA

Dear Senator: With the help of my family, my wife Jan and our children Doug, Dan, Dean, Deb and Dawn, we farm 290 acres northwest of Dyersville. Dyersville is located on Highway 20 in northeast Iowa. It is known as the "Toy Capitol of the World" and also the site where the movie "Field of Dreams" was filmed. "Field of Dreams" is a good movie.

We have a dairy herd of 65 milk cows, raise our own herd replacements and fed out our Holstein steers. We also have a farrow to finish confinement hog operation in which we market around 1,400 head of hogs per year. Our crops consist of corn, alfalfa and other forages. All of our crops are fed through our livestock enterprises. We do buy additional corn.

When I was asked to be on this panel I decided that before I was ready to look ahead to a 1990 farm bill, I was going to go back 5 years to when we were having hearings on the 1985 farm bill. I went back to my 1984 farm records to see if the 1985 farm bill helped or hindered my livestock operation. I compared 1984 prices to 1989 prices. These are the facts:

1. The average base price I received for milk from Kraft Inc. in 1984 was $12.95 per cwt.
2. The average base price I received for milk from Kraft Inc. so far in 1989 has been $12.10.
3. I am getting paid $.85 less per cwt for milk than 5 years ago, even after a whole-herd dairy buyout program.
4. The average price I received for butcher hogs in 1984 was $47.90 per cwt.
5. The average price I received for butcher hogs so far in 1989 was $42.50 per cwt.
6. I am getting paid $5.40 per cwt less for hogs than 5 years ago.
7. In 1984 I was not enrolled in any Government program so I received no Government payments.

8. So far in 1989, I received $10,178 in advance payments. At this time I am not certain if I will be able to keep that amount, it will depend on the price of corn.

Market 1,400 head of hogs at 240 pounds	×	.0540	=	$18,144.00
Sell 982,872 pounds of milk	×	.0085	=	8,354.41
Less gross income				26,498.41
With Government payment				−10,178.00
Total less gross income				16,320.41

The truth is, if I had 1984 prices versus 1989 prices in my livestock operation I would gross $26,498.41 more money. Add the Government payment in 1989 and I still end up $16,320.41 short.

As I went through my 1984 records there are several other things that caught my eye:

1. I bought corn in 1984 for $3.65 a bushel, the most I paid in 1989 is $2.85 a bushel, an $.80 drop and it is still going down. I wonder how many grain farmers would gladly give up their Government payments for $3.65 corn this fall?

2. In 1984 a deduction from my milk check for Blue Cross and Blue Shield Health Insurance was $246.51 per month. Today it is $433.95 per month with less coverage, and going up again in October to $511.70, with less coverage. It has more than doubled in 5 years. The cost of health care in this Nation is getting to be a national disgrace.

3. Our living expenses continue to rise; school tuition, clothing, dental care, etc. Inflation continues to take its toll.

4. My machinery repairs have doubled in 5 years. The price for parts have gone up. In a livestock operation you have equipment that is used daily and wears out. The cost to repair some equipment is more than it cost new 10 years ago. To buy new equipment at our current milk and hog prices is beyond reality.

There are other red flags waving that the 1985 farm bill has not returned prosperity to rural America. They do not show up in Government reports, tax returns, debt reductions and balance sheets. Farm buildings and farm homes are in need of repair; we have the oldest farm machinery in two decades with equipment dealers saying, "Maybe next year things will get better." In Dyersville, our Catholic High School is trying to raise $1.5 million in donations to keep the doors open. The success of the fund drive is uncertain at this time. Our public school district tried to pass a $7 million bond issue to get our children out of portable buildings and into less crowded facilities. It has failed. The money in rural communities has dwindled and our quality of education is in jeopardy.

In our hog operation in the last 5 years, we have tried to run the building at full capacity, and our pounds of pork marketed have remained consistent. We have had some up and downs in the market and the last 18 months have been a downward trend. I think the 1989 market will be the lowest in over 10 years. *Cheap corn always leads to cheap hogs.*

In our dairy operation we had to make changes to survive. As the price of milk goes down, it lowers my income, but debts and fixed cost are still there. We added more cows and also have increased production per cow. We did not expand our facilities but have overcrowded them. We have gone to double cropping to get more feed and milk per acre. We seed winter triticale in the fall, harvest around June 1, and then plant a forage called Milage (a mixture of soybeans and milo), which we chop for silage in the fall. We seed a forage called Tripper (a mixture of triticale and Canadian peas) in the spring to establish our alfalfa stand rather than use oats. Higher protein, better quality forage than oatlage. *Lowering the price of milk does not guarantee less production, but can have the opposite effect.*

Under the drought bill of 1988 it was to my benefit to apply for emergency feed assistance rather than take the disaster payment on my corn. I qualified for feed assistance on November 3, 1988, the grain bin was empty, and I received my check May 30, 1989. The local ASCS office was that far behind on paper work.

Under the drought bill of 1988 the support price for milk was to go up $.50 per cwt during the months of March, April, and May. I don't know who got that money, but the base price I received for milk dropped $.53 per cwt from my February base price to my May base price.

February base price $12.17.

March base price $11.80.

April base price $11.70.

May base price $11.64.

In spite of the above two problems I think it was a good bill.

The 1990 farm bill has to take a course of new direction. We need a bill designed to increase the profit of the American farmer significantly, and then prosperity will spread across rural America. There are several things that I would like to see in the bill:

1. We need protection from the Fed's playing with interest rates to control the economy. When they raise interest rates it increases my output cost. Farming is a high investment business; it will remain that way.

2. We need protection from inflation and rising expenses. When General Motors health care cost goes up, they add it on to the price of a new car. When the cost of living goes up, laborers negotiate for a cost of living increase in their contracts. When products leave the farm gates every business from the trucker, to the packer, to the grocery counter adds their increases so their business remains profitable. *We will probably have to go back to some sort of a system of "parity" in the new farm bill so the farmer can keep his business profitable.*

3. Federal Crop Insurance must be changed. One-third of my farm is seeded to forages, and I cannot insure them. I carry Federal Crop Insurance this year for the first time in my farming career, but when my second cutting of alfalfa dried up this summer, I had no protection. I have always carried hail insurance, and I don't understand why Federal Crop Insurance can't be as simple. If my land can produce 150 bushels of corn to the acre and I think it will cost me $3 a bushel to replace that corn, I will need $450 to the acre coverage. If I think I can replace that corn for $2, I will need $300 to the acre coverage. I will have a choice as to how much coverage I want and how much I want to spend. I don't think it should be mandated, but it should be clear that there will be no Government bailout in the case of disaster. If the cost of insurance becomes cheaper, more lending people will require it as security.

4. The issue of the Chicago Board of Trade should be addressed. Do we need it? If so, lets clean it up and reorganize it. I have used the futures market to sell hogs some years ago. I made money and I lost money. As a true hedger, I had the hogs to cover my contracts. I no longer use it. I feel our markets should be based on actual numbers of production, not on pig, cattle, grain reports and rumors. The markets fluctuate because speculators talk about the "green house" effect one day, and then an early frost the next day. Hog markets drop because the report shows there is 1 percent more hogs on inventory than speculators estimated, whether the report is right or wrong.

5. We need more flexibility in the crops that we can plant. When I filed my soil conversation plan on my highly erodible land, I made the option to keep that land out of corn because I can use forages in my dairy operation and I know of no better way of saving the land than to keep it seeded down. After about 3 years an alfalfa stand should be reestablished and it is best to rotate that land to another crop for a year before you go back to alfalfa. With my experience with Triticale and Milage, I can do that. When I have to replace that alfalfa stand I will seed Triticale in the fall, harvest in June and then seed Milage. Then the following spring, seed alfalfa with Tripper as a cover crop (AAATMA). This land will be solidly seeded at all times. I have this plan approved by SCS. The problem is Milage will be counted against my corn base because of the milo in it. I choose to plant my corn acres on land that is not erodible and now I am told that this forage is part of my corn base. This is just an example of what I mean by more flexibility. We need to have some of theses forages reclassified.

6. The use of chemicals and what effect they are having on the environment must be addressed. We have reduced our fertilizer usage over the last years by making better use of our manure. Our liquid hog manure is knifed into the soil in the spring and fall to save nutrients, especially nitrogen. In our dairy operation we use straw and chopped corn stalks for bedding and therefore, that manure is surfaced applied throughout the year. To store that manure all winter would take a costly investment and would greatly increase soil compaction when I would apply it in the spring. We have used Atrazine on very few acres this spring, but I still need Atrazine at times. *With the technology we have today. I cannot farm without using chemicals and stay competitive.* I don't think we should be adding a tax to use certain chemicals on the backs of the farmer. We should be putting pressure on chemical companies to come up with safer chemicals. If they have to change, they will find new products. More grants to universities to find new and safer methods of farming will help. This may take years, but when the technology and the products

become available, the farmer will use them. We must not pass laws that are influenced by special interest groups against the use of farm chemicals.

7. We need to expand our foreign markets for meat products. *Why are we so dedicated to selling grain overseas?* We can raise the grain, we can feed cattle, we can feed hogs and we should be building packing houses to sell finished meat products overseas. This would create more American jobs. People in some countries stand in line to buy meat at a high price.

8. We need a farm bill that leads to the development of more jobs in rural America. Jobs that will return our children back to rural communities, and then main streets will again prosper.

9. We need a farm bill that is geared toward profitability so that our children will want to farm. Financial aid must be available to help our young farmers to get started. We can send our children to college to learn agriculture, but we cannot replace the experience of working side by side with their parents on the farm.

We have the opportunity to write a farm bill that will lead us in a new direction. A farm bill that will turn our fields back into "Fields of Dreams."

PREPARED STATEMENT OF HANS GOEPPINGER, IOWA FARM OPERATOR, BOONE, IA

Following are the points that occurred to me that I would like to be considered as a part of the 1990 farm program legislation being considered by the Senate Agriculture Committee.

1. Abandoned farm wells in the major farming areas of the Central United States offer a direct conduit for contamination into the underground aquifers from which all citizens receive their drinking water. There are a large number of abandoned wells as a result of the large drop in active farmsteads over the last 50 years. My suggestion on correcting this dangerous situation is to first find the location of these wells by offering a $100 reward for registration of identification of location of these abandoned wells. This would be first done by property owners registering their location, next by farm operators and after a 1-year period the public at large. This registration would be done at Soil Conservation Service offices in the counties where the wells are located. Second, would be to offer a $500 bounty to be paid upon proper sealing of wells when said sealing is certified by Soil Conservation Service personnel after their inspection of the sealing process. The farmowners or operators would pay for the sealing and get to keep that portion of the $500 up and above the cost of proper sealing.

2. A location restriction of set-aside acres should be included in the next feed grain program. Land enrolled in the feed grain program should only be allowed to be labeled as set-aside for 2 consecutive years and in the third year a different area of the farm should be designated until all of the farm has had set-aside acres on it over a period of time before the first areas could again be in set-aside. An exception to this of course should be filter strips along creeks or waterways. A 2-year period is necessary for such crops as yellow blossom sweet clover and your cheaper alfalfa covers to be effective and accomplish the buildup of soil humus.

3. Sweet clover is a biannual that before widespread use of anhydrous ammonia was used to buildup soil nitrogen in the preceding 2 years before a corn crop. The way this worked was to plant the sweet clover in the spring and allow it to grow all that year, go dormant the following winter and the following year when the sweet clover had reached a height of 5 or 6 feet the sweet clover was plowed under as a green manure crop adding tons of humus per acre. This was usually done in the month of June. Another advantage was the 5 foot depth the roots penetrated to in the soil. The root decay left the soil with a larger water carrying capacity than ground that had not had sweet clover on it. Plowing of the second year growth needed to be done in Iowa in late June before the plants became brittle from maturity and also before seed maturity. Because of the present rules prohibiting the plowing of set-aside acres before September 1 in Iowa the Sweet Clover Program as described here is not possible. I call for a change in the regulations to allow this.

Most of Iowa's set-aside is covered with oats as a cover crop. Oats are seeded by May 1 and this ground disked or plowed after the September 1 release date. The ground is protected for 4 months in any year. With the change I am asking for sweet clover in a 2-year period there would be 21 months of soil coverage because after plowing, this ground should have a seeding of oats required by September 15 to cover the ground into the winter. This would leave an uncovered maximum period of 3 months, July, August, and part of September.

4. I would like to see the elimination of the $50,000 payment limitation for feed grain program participants. I am calling for this change not because of any advan-

tage to myself because I am not affected by that limitation per se but I am certainly affected along with all other feed grain program participants in the huge amount of time required to complete the paper work that has been generated by this $50,000 payment limitation. The time spent by all program participants at ASCS offices and outside the offices during the signup period to comply with this $50,000 limitation is unbelievable. This is unproductive time spent by all concerned and for the few people involved and the money saved it does not seem to me to be worth the drain on the people's time administering the program or the people's time participating in it as farm operators.

Prepared Statement of Gary Lamb, President, Iowa Farmers Union

As testimony begins on the 1990 farm bill, a number of views and ideas will be brought forth in an attempt to stabilize agriculture and lead our industry into the 21st century.

A number of options are available and most certainly all of them will be promoted by various parts or voices who say they represent the food and fiber industry.

Although they are interdependent on one another, the needs of some parts of agriculture can and are sometimes much different than the needs of actual producers, and producers themselves have different views of what's needed.

From moving totally away from farm programs and support prices, to something similar to the 1985 farm bill, with small modifications, to a totally different direction and attitude than we are moving now.

Rather than offer Farmers Union views on what is needed to stabilize agriculture and revitalize rural America, I would take this opportunity to simply ask some basic questions, for I feel before any idea is seriously considered, we first must understand what the intent and end result is we are seeking to accomplish.

Therefore, no answer can be found until some basic questions are understood.

Is agriculture, because of its very nature and internal vulnerabilities, able to stabilize itself without some outside checks and balances? Can we balance supply with demand, address some level of fair returns to producers, protect and preserve vital land and water resources for future generations yet unborn, both urban and rural, and maintain a rural infrastructure and rural values around a family farm system without some type of Government assistance?

Can we really believe a free market, without powerful influences both within and outside of agriculture, will be able to preserve what we all believe to be important to agriculture and rural America?

Or as much as we would all like to believe in these symbolic words, are free markets a little like still believing in Santa Claus and the tooth fairy?

We must also ask ourselves what kind of agriculture we want as a nation as we move toward the year 2001; an agriculture that continually concentrates its wealth and resources within itself, or a Jeffersonian type that attempts to establish the basic fundamental principles upon which we always believed our country was founded on; many people should share in our great abundance!

The argument really isn't whether with today's technology we could theoretically eliminate thousands of farmers and still produce all the food and fiber needed for both domestic and export needs, the argument is whether there are economic, social, and community values that are in the Nation's vested best interest, and must be preserved to help determine the national character of our Nation.

Should we let technology drive us, or must we apply and drive technology? Does chemical technology, for example, within itself understand its effects on water quality, or must human wisdom and foresight accomplish that part?

Should some attempt be made to remove the culture part of the word agriculture, which is simply the understanding of the relationship between those who work the land and the land itself? The understanding that we cannot, long term, simply take from the land, we must also give back.

Should raw food and fiber production be viewed in more of a sense of a huge manufacturing corporation, measured by quarterly profits, to determine its stability?

Does a constant exodus of people from agriculture and rural America affect urban hunger and the increasing homelessness in our cities?

Is it a myth that cheap food feeds people, or when raw food and fiber is priced too cheaply, does it actually perpetrate hunger, rather than alleviate it? There are some indications that could be possible.

In 1986, with grain bins bulging and grain piled in the streets, two southern counties in Iowa, Davis and Ringgold Counties, were judged to be among the 150 most hungry counties in the United States.

Whether we want to or not, we must attempt to determine what lower world market prices does to underdeveloped Third World countries, and how it affects their farmers.

Perhaps we have a right to completely change the face of agriculture and rural America, if that is the decision of society within our Nation, but do we have the right to destroy agriculture and farmers in another sovereign nation, simply because we have been the dominant player in world agriculture production and trade?

Does agriculture belong to us, or does it belong to the world and all nations, both developed and undeveloped?

Is comparable advantage or our ability to produce more food and fiber cheaper than any other nation, somewhat, if not totally neutralized by the need of other nations to develop or preserve their own self-sufficiency, no matter how limited their resources are?

Is it so basic and fundamental that we fail to understand that we could not, or would not, depend on another nation for our total food supply?

If we are so much more efficient and we can produce and export into the world market, at the prices we have been, why have we lost somewhere between one-half and three-quarters of a million farmers since 1980 alone?

Is the production of food, and feeding people still a noble profession, and if so, then is there not as much dignity in tilling a field as there is in designing a nuclear warhead? Do we tell a nuclear scientist to step out of his laboratory to seek a second job to subsidize his income, or a doctor, or banker, or lawyer? Although many people occupy several jobs to provide basic family needs, is it not really only to those who feed us, the farmers and ranchers, we tell "Your prices will be so low and your profits so minimal, you must acquire another job to maintain a decent standard of living for your family"?

Some farmers have always had a second job and perhaps a number of farmers always will, and actually want to, but should we mandate that need as the answer to agricultural problems?

There seems to me to be something fundamentally wrong with that!!

I believe there is a need and a purpose for commodity organizations, but I also believe we help fragment and divide agriculture, as we all fight for a bigger piece of a shrinking pie. I see no useful purpose as a cattleman if I find a million dollar market for my beef, but in the process, I destroy a million dollar market for corn, wheat, and soybeans.

I see no benefit to agriculture, the State of Iowa, or our Nation's debt and trade imbalance problems.

Recently our Nation has become much more concerned about food safety. How and what is being used in the production of raw food products is an ever growing concern, and farmers and ranchers most certainly should share in that concern. No one is closer to the land, water, air and environment, where food is produced, than the producers themselves.

But why do we stand idly by and watch drugs and chemicals banned from use in the United States, to be manufactured and sold to other countries, and allow raw food products from other countries to enter our food chain, with no labeling as to the point or origin, and with relatively little or no testing whatsoever?

Do we really have a "Cheap Food Policy," or does it only appear that way because we pay less of our disposable income for food than do any other people in any nation in the world? Is the cost of raw food and fiber products only part of the bill we really pay for?

We were blessed with great rich natural resources, but they are not unexhaustible, as we are beginning to realize. Iowa loses more tons of top soil, per acre, than does any other State in the United States, and our ground water is becoming a major concern in many areas.

Is that not a part of the cost of our food policy?

Is the slow, almost systematic deterioration of rural communities not a cost also?

Are there subtle hidden costs we tend to overlook, like the increased alcoholism, drug and child abuse, divorce and suicide, in rural America and among farmers? If we care to analyze history, hasn't any nation, under any form of government, in any period of time, that allowed its wealth and resources to be concentrated in the hands of a few, experienced some type of revolution?

Perhaps if only a few of the things I've mentioned are indeed costs to be included, we have a very high priced food policy in our Nation.

I wish I could answer these questions for you, but I cannot and should not, for I feel society, as a whole, must find the answer.

I am a farmer who has tried my very best, for nearly 40 years, to feed this Nation and a great part of the world. My heritage was apparently left to me by a Peter

Culp Lamb, 1 of approximately 400 farmers who fought at the Concord Bridge during the Revolutionary War. It appears that proud heritage will end with my passing, for my two sons, along with many other young people, see no future in farming today. And there are those who will say that is exactly what is needed, discourage the young from entering agriculture, as well as remove some of the farmers already there!

I can tell you I've watched small rural communities wither and die; I've watched our young people leave the State, rural health care has become a very increasing problem, partly because rural hospitals and physicians no longer receive equal appropriations and opportunities, and partly because many farmers and rural people in general do not have sufficient incomes to acquire ever increasing insurance and health care costs.

I've watched us use and abuse our great natural resources, by applying a fence row to fence row mentality and an economic equation to agriculture, I doubt any other industry would accept. "Volume times loss equals profit." I question how much volume must I, or any farmer, produce at a loss before we can cash-flow our operation.

I helped bury three of my neighbors between 1982 and 1986 who committed suicide, because they felt trapped in a changing world in which they thought they had no control.

Somehow, I would simply suggest you attempt to bridge the gap between commodity and conservation programs, and create incentives that would encourage at least some farmers to move toward a more sustainable agriculture; one that will maximize our productive capabilities, but in a more environmentally and hopefully economically sound way!!

And I would ask you to somehow, within the framework of the 1990 farm bill, begin to lead us in the direction of global cooperation, rather than global confrontation.

So many of the problems in agriculture, both domestically and internationally, could be solved if we could only get farmers a fair and decent price in the marketplace.

I realize the task and the responsibility before you is difficult and challenging. I also realize you receive conflicting and confusing signals from producers themselves a great part of the time, but I would ask you to resist if we ask for something that appears to be an answer today, but would ultimately destroy us tomorrow.

And I would tell you, your task and responsibility can and must be shared by those of us who farm today. The future of our industry, and the legacy we leave our children and our Nation, will depend on our willingness to envision where we want agriculture to be decades from now.

Only by measuring today's commitment, concern and involvement, can we make our yesterdays memorable, our todays tolerable, and our tomorrows opportunistic and exciting.

I would conclude my testimony by issuing this warning to our Nation:

"Cherish your land, and treasure your farmers, for they are dependent upon one another. And we as a nation are dependent upon them. They are the very heart and soul of what we are, and what we shall become."

I thank you for your patience and concern, and I sincerely hope that somehow, the great wisdom and vision that has blessed our country through the years, will once again find the answers for all of us.

Thank you.

[Attachment follows:]

[National Farmers Union, July 12, 1989, President Leland Swenson]

OUTLINE OF 1990 FARM BILL TESTIMONY

NFU stands for a simplified and more direct program that returns to the goal of assuring producers a reasonable livelihood by providing price and income protection on a family farm level of production.

We stand for the sustainability of family farms, whether we're discussing commodity programs or the best stewardship of our soil and water resources.

DAIRY/LIVESTOCK

First, the support price program should reflect a two-tiered approach.

Second, we recommend updating milk marketing orders by consolidating them to the extent it would improve producer income and market administration, and by replacing the current system of transportation differentials with a new system using multiple basing points and component pricing.

Third, we must review the idea of "surplus" dairy products.

Finally, we recommend a close review of the Packers and Stockyards Act to protect all livestock producers from unfair competition and monopolistic practices by strengthening enforcement provisions and discouraging mergers resulting in excessive concentration.

WHEAT AND FEED GRAINS

Bases should be established by units of production sufficient to meet our domestic, export, and reserve needs—farmer owned reserve should be used to prevent shortages—on-farm storage should be paid the same as commercial storage.

A cost saving measure for farm programs would be to target programs to reach only the intended beneficiaries. We would prefer a targeting plan that concentrates on supporting the family farm system of agriculture over a plan that calls for supporting a percentage of all farmers' production.

Secretary Yeutter's preferred way to balance the agricultural budget seemed to be to reduce farm income dollar for dollar saved in the budget. We do not believe that raising loan rates alone will cause disaster for the one-quarter of agriculture's cash receipts that come from exports. We believe that low prices are the problem, not the solution. Loan rates should be raised to current market price levels or, at the very least, the Findley provisions should be repealed.

We support crop insurance but, cannot advocate an end to disaster programs until more coverage is available on more crops in more places. For crop insurance to ultimately replace disaster programs, there must be at least one catastrophic coverage option that performs the same function of providing for lost income. We advocate a permanent catastrophic loss pool and recommend increasing available coverage by raising yield options and covering production costs. Subsidy levels should be increased, or at least made the same across coverage levels.

Environmental issues must be addressed in the 1990 farm bill. CRP could be used as a last resort for land on which the soil type is too sandy to allow any type of chemical use without leaching into ground water, and for which nonchemical alternatives aren't feasible.

What makes the cross-compliance, sodbuster, and swampbuster provisions effective is the fear of losing program benefits. If program benefits are removed any way, we are virtually guaranteed that marginal lands will be kept in production.

Simplify the farm programs—but don't simplify by eliminating them.

Work with existing programs by:

First, simply making payments based on units of production instead of acreage would not only allow USDA to predict program costs with a greater degree of certainty, it would allow farmers to farm using crop and field rotations that make sense for their operation.

Second, allow producers a one-time opportunity to prove actual yield.

Third, farmers should be able to enter into long-term rotations with such crops as alfalfa or legumes without violating sodbuster requirements and without losing base.

More research and education is needed on water quality. There is a need for a balance between incentives and penalties, conservation goals and production needs.

We need to develop practical low-input and nonchemical alternatives for more commodities, not just to protect ground water and lower farm input costs, but to decrease the potential for pesticide residues remaining in our food.

We need a fully staffed Food Safety and Inspection Service, close cooperation among USDA, EPA and FDA, and we need a farm bill that demonstrates a commitment to sustainability.

We are concerned that the GATT agreement to harmonize health and safety standards means lowering our safety standards at the same that foreign levels rise.

GATT/TRADE

NFU is deeply concerned that the United States is allowing the agricultural export "tail" to wag the domestic farm policy "dog". Export is only 20-25 percent of cash farm receipts, and exchange rates, global unemployment rates, weather, and other economic and social factors over which Congress, USDA, and our trade negotiators have no control could easily lay asunder the best laid export plans. Farm programs are, by necessity, primarily domestic policy tools, and we object to their characterization as "trade-distorting subsidies".

USDA's efforts to administer the domestic farm programs established in 1985 as tools of foreign policy has caused an outward migration from rural America and left Congress working to pass rural development legislation in an effort to revive and repopulate our rural areas.

Secretary Yeutter suggested that taxpayers may not be willing to continue paying high levels of farm subsidies. He may be right, particularly as taxpayers realize how much of their money has gone to multinational grain traders—who were already posting record profits—to help them regain market share. It is true that we have spent more money on farm payments in the last 8 years than in the entire history of farm programs. But, many of those payments helped farmers to keep paying their creditors—during a time when the market value of their crop was being driven down by the Government.

USDA's failure to understand the willingness of our competitors to fight for markets has led to a tremendous escalation of export subsidy costs. International negotiations should begin immediately in two areas:

First, we must negotiate with debtor nations in the Third World to reduce their debt in exchange for economic reforms that will improve their people's standard of living.

Second, for existing markets, international negotiations should take place to achieve long-term agreements on agricultural production and prices, i.e., fair trade.

There are several other areas which ought to be addressed in the 1990 farm bill if they cannot be resolved this year. Domestic hunger, rural development, agricultural credit, research into industrial uses for agricultural commodities, extension service activities, grain quality standards, and reform of the Packers and Stockyards Act are just a few. NFU looks forward to working with this committee on these as well as the 1990 farm bill.

Thank you, Mr. Chairman. I would be happy to answer any questions that you or members of the committee might have.

PREPARED STATEMENT OF DEAN MCWILLIAMS, REGION III VICE PRESIDENT, NATIONAL CATTLEMEN'S ASSOCIATION, REPRESENTING NCA [1]

Mr. Chairman, my name is Dean McWilliams and I represent the National Cattlemen's Association as region III vice president. Region III includes Illinois, Missouri, Wisconsin, and Minnesota as well as Iowa. I am a cattle and grain farmer from east central Iowa. I welcome you to Iowa and thank both you, Senator Leahy, and Senator Harkin for your support. I also appreciate you bringing your Midwest hearing to Des Moines.

I would like to discuss briefly some issues of great importance to the cattle industry, and ask for your permission to assist your committee as the 1990 farm bill work unfolds.

The $35 billion cattle industry is the largest segment of American agriculture according to cash receipts, and in 23 States, is either the number one or two commodity in cash receipts. Clearly, the economic well-being of the cattle industry is just as important to cattlemen as it is to agriculture and the Nation as a whole.

Five years ago, the cattle industry, through NCA, become a participant in the formulation of the 1985 farm bill. I would like to outline some of the issues that were important to NCA.

1. **Feed grains.**—Market oriented grain policy was perhaps the most important policy change for the cattle industry in the 1985 act. Buying grain based on world market prices allowed cattlemen to timely gauge production costs based on supply and demand factors.

2. **Beef Promotion.**—The beef checkoff has helped the cattle industry tell the story of how nutrient-dense beef benefits the diet, as well as bolster demand. The checkoff was approved by an overwhelming majority of cattlemen and we in the industry thank Congress for giving us the opportunity to prove the merits of the checkoff.

3. **Conservation Reserve.**—Now that 30 million acres have been enrolled in the CRP, cattlemen comprehend this enormous new forage base.

4. **Dairy.**—The Dairy Termination Program was a disaster for the cattle industry. Mismanagement by USDA and the hasty manner in which the DTP was developed

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[1] The National Cattlemen's Association is national spokesman for all segments of the beef cattle industry—including cattle breeders, producers and feeders. The NCA represents approximately 240,000 cattlemen. Membership includes individual members as well as 47 affiliated State cattle associations and 26 national breed associations.

is well documented. NCA strongly believes that these types of programs are counterproductive and should not be utilized in the future.

5. **Clear Title.**—The clear title provisions of the 1985 act became effective on December 24, 1986. As a result, the discrepancy between agricultural products and all other products will be eliminated, and farmers can no longer be forced to pay twice for the products they buy.

In our eyes, the Food Security Act of 1985 was a success. One of the keys to this accomplishment was the fact that Congress did not change the act in midstream. By allowing the act to mature, farmers and ranchers could plan and implement management practices without fear of Washington changing directions. NCA hopes the 1990 farm bill follows the same direction of longevity and relying on market forces to drive farm policy.

NCA plans to be actively involved in the development of the 1990 farm bill. NCA will work diligently with other agriculture groups to develop consensuses and coalitions in order to create a farm bill that will make all of us proud.

NCA's priority issues for 1989 are environment, animal care and beef safety, and we will continue to work on those issues.

Grain policy should continue to use market forces for price discovery.

The conservation title of the 1990 farm bill may prove to be the most controversial in the sense that forces outside of the agricultural mainstream will have input into the title. From environmental groups to other committees in Congress, the debate regarding conservation may be the most hard fought battle.

NCA is very concerned about the environment, but we question the methods used to address the situation. NCA believes it is imperative to closely guard private property rights as Congress writes environmental laws. Farmers and ranchers will depend on both of the Agriculture Committees to defend and protect private property.

Mr. Chairman, time will not permit me to outline you a program with all of the specifics that would be supported by NCA. Certainly, there will be new issues and provisions in the 1990 farm bill that have not surfaced. NCA will closely follow all titles and would like to take part in developing the programs that affect our industry.

Mr. Chairman, Marshall King, president of the Iowa Cattlemen's Association, gave testimony concerning a leaseback provision of ACR and CU acres. NCA's region III in a recent membership meeting endorsed that proposal, and we encourage your endorsement.

Mr. Chairman, thank you for the opportunity to be here today.

PREPARED STATEMENT OF DOROTHY WURSTER, TEACHER, TINGLEY, IA

Honorable Senator Leahy and Senator Harkin, members of the Senate Agriculture Committee, and ladies and gentlemen:

My name is Dorothy Wurster. My husband, Howard, owns and operates a small grain elevator in a small town Tingley, Iowa. Our son, his wife and children farm. I teach kindergarten.

All around this building at the fair we see projects of 4-H and FFA youth. These projects teach them to work and strive for a goal.

Though my kindergarten students are too young to know the definition of the American dream, they've already been affected by the social climate in which they live.

In the future will they have learned from corporate agriculture that survival of the fittest doesn't include them?

Will these children learn to struggle and achieve as they watch their parents work and dream for the day when the mortgage is clear and the farm is really theirs? Or will their role simply be to be one of the worker's children on the large hacienda?

Let us never be distracted from the long-term social consequences of our actions—let us never be distracted from the larger question—who will own the land and who will control our Nation's food supply? Therefore let legislation be directed to benefit small and medium size farms.

Thank you for being here today.

PREPARED STATEMENT OF CHARLES PYATT, MEMBER, BOARD OF DIRECTORS, AMERICAN CORN GROWERS ASSOCIATION

Members Senate Agriculture Committee:

I thank you for the opportunity to testify before this important committee. I would like to draw your attention to the recent fiasco in the July 1989 soybean contract on the Chicago Board of Trade. The liquidation order by the CFTC and the CBOT was perhaps the most flagrant and price depressing action ever taken by these agencies. The total cost to agriculture and this Nation could well be billions of dollars as well as the loss of our status as a world trade center for ag commodities.

The action clearly indicates that no longer will these agencies allow demand to influence price. Only supply will be allowed to set prices and that need not be physical, but can be artificially created, allowing major commodity traders to manipulate prices at will. Because demand can no longer be used to help determine price, all mandatory checkoff programs used to build markets become worthless. Therefore, I would urge you to withhold support of all mandatory checkoffs until meaningful legislation to correct the abuses of the CBOT is enacted.

Interestingly, this type of manipulation is not new to the CBOT. Grain barons and bucketshops have been allowed to make fortunes at the expense of producers for decades. As proof I submit an article taken from Cappers Farmer Magazine dated January 1921. Senator Capper had authored legislation back in 1920 designed to stop just such abuses, needless to say, the grain barons stopped its passage then just as they would surely try to stop it today.

It is my fervent prayer that somewhere within the current Congress of the United States there is someone with enough intestinal fortitude to reintroduce Senator Cappers bill some 70 years later and fight as he would have fought for its passage.

A wise trader taught me years ago that "He who sells what isn't his'n pays the price or goes to prison." Apparently that rule today only applies to those who lack influence. I would leave you with this question: "Are there people within our country with more power than our own Government?"

Thank you.

[Attachment follows:]

ANTI-GAMBLING BILL GOES IN

[From the 1920 Capper's Farmer Magazine]

Senator Capper introduced in the Senate on the first day of the reconvening of Congress in December a bill to abolish all gambling in wheat, cotton, corn and all farm products. The measure provides a prohibitive tax of 10 percent on all contracts for future delivery, except contracts made by farmers, dealers or manufacturers who are buying and selling for actual delivery.

"The bill," Senator Capper said in a press statement in Washington, "will stop all gambling in farm products by making use of the taxing power of Congress. It will abolish the wheat pit and the blackboards. It will put out of business the thousands of wire houses and bucket shops operating in every city in the United States by making it impossible for gamblers and speculators to deal on the boards of trade. The bill seeks to preserve the legitimate 'hedge,' but cuts out all gambling and manipulation. A penalty equal to 50 percent of the tax levied, a fine of not more than $10,000, or imprisonment of not more than one year may be imposed on violators of the act."

PREPARED STATEMENT OF DARWIN KOHL, ATTORNEY, CEDAR RAPIDS, IA

We would like to thank you for this opportunity to voice our opinion on the farm problems of today. Some of the problems that are still facing are fellow farmers are foreclosures to do with FmHA guaranteed loans and still a few farm credit problems.

I would like to acknowledge Farm Credit for their understanding of the real farm problems to deal with deflation and high interest. It is tremendous the cooperation that has developed in the last 4 years on behalf of the Farm Credit System for restructuring and keeping 50-60 percent of the farmers in trouble still on the farm.

FmHA has really been in the dark since the fall of 1984. The FmHA guaranteed package has been "used" by all lending institutions across the State. The word used means that the lending institution has been able to bailout their lost portfolio by using the system and pocketing their loss on the loans.

I feel that the guaranteed loans put together by the lending institutions with some help of the farmer were submitted to FmHA and FmHA would approve their loan based on the cash-flows and the ongoing operation opportunity.

Several FmHA guaranteed loans have been shutdown because of cash-flow problems or deflation in security values, mainly land.

The Tom Riley Law Firm has been working on several cases that show a clear manipulation of the cash-flow by the lending institution to the point in one particular instance the farmer does not even have in his operation. A hog enterprise that was represented to FmHA existed for several years. Upon an on farm visit by the county supervisor to view the operation after the guarantee was in place, the supervisor questioned the farmer with regard to his hog operation, to which the farmer replied "what hogs?" He had not had hogs on the farm for several years. The lending institution had altered the cash-flow to create a rosier picture to FmHA ensuring the approval of the guarantee.

In my own opinion FmHA has been used. We feel that the guaranteed loans are a necessity to today's borrower; and a good package put together with the true information can benefit a long-term workout for the lending institution that is applying for the loan plus keeping a good solid operation intact.

In many instances, after the guarantee is in place the lending institution refuses to lend operating money or apply for guaranteed operating money for the farmer during the operation. Thus creating an impossible situation for the farmer to continue.

Our firm has worked with farmers in putting together farm ownership guarantees, machinery guarantees and operating guarantees and we have gotten all three for farmers and the packages were put together using today's appraisals; and these operations are flourishing.

It appears there needs to be some type of policing done on the guaranteed loan process to ensure accurate figures are shown by the lending institution; and to ensure that the lending institution is not creating a situation to force the farmers to fail. This policing needs to be internal and not require a farmer to hire legal counsel to protect him from the lending institution every time he borrows money.

All farmers need some type of safety net on target pricing for the farmers to be able to receive a fair market value for all products raised. The past program by the ASCS has been very helpful to all the farmers across the Nation.

Personally, I would like to see mandatory control is never abused because we need to be able to raise what we want to raise and have fair trade.

Thank you.

PREPARED STATEMENT OF GLEN WATERS, FARMER, WEST BRANCH, IA

I personally have an FmHA guarantee that is delinquent. I have paid the PCA the corresponding payment, the PCA did not and has not applied those income proceeds to the guarantee.

I have personally sold FmHA security that has been pledged as collateral for a Federal guarantee and PCA has not applied the income proceeds to that Federal guarantee.

The proceeds have been applied to the nonguaranteed portion of my loan, clearly showing PCA having a priority as to where the farm income proceeds are to be applied.

PCA's master plan is to keep the Federal guaranteed debt as high as possible and then through lack of applied payment, the following will occur:

1. A forced delinquency;
2. A scheduled foreclosure;
3. After the preplanned foreclosure, the PCA will then submit a loss payable document to the FmHA. Upon said payment, PCA has completed the cycle allowing them to steal funds from the Federal Government at the taxpayer's expense.

I am asking the political leaders of this State to take it personally upon themselves to make sure that the Federal investigation into the robbing of the taxpayer's dollars through the manipulated FmHA guaranteed loan program is not forgotten.

I have personally been involved in numerous legal proceedings with the Farm Credit System, these include real estate foreclosures, a receivership appointment, a Chapter 11 Bankruptcy, and a pending civil suit. To date, total legal expenses on both sides involving the aforementioned proceedings have tallied a bill in excess of $200,000. I certainly would not be surprised if the legal fees on both sides added together surpass our total debt before all disputes are resolved.

I ask that both Farm Credit Services and the Farmers Home Administration be more accountable to the misappropriations within the Federal guaranteed program. I see no sense in the allowance of the Farm Credit System setting up the farmer for his final demise and have the American taxpayer pick up the tab while the Farmers Home Administration looks the other way while writing the check.

[Attachment follows:]

THE REGISTER'S EDITORIALS

FORCING FARMERS OUT

[An editorial from the Des Moines Sunday Register, dated Sunday, August 13]

Economic crises sometimes bring communities together. Unfortunately, tough times also serve as fertile breeding ground for corruption and rip-off artists.

The farm crisis is no exception. A story that appeared in last Sunday's Des Moines Register by reporter Norm Brewer details how officials at the Farm Credit System may have set out to drive farmers into bankruptcy so the FCS could collect their taxpayer-financed guaranteed loans.

The U.S. Department of Agriculture, the General Accounting Office (the investigative arm of Congress) and a federal grand jury have launched investigations of those who may have defrauded the system.

The corruption appears to have spread to eastern and western Iowa alike. In addition, the initial investigations point to corruption not only at the local level but at the Farm Credit Services of Omaha, which is a source of loans for four states: Nebraska, South Dakota, Wyoming and Iowa.

The system is supposed to work this way: Farmers receive loans from Production Credit Associations, the local units of the cooperative Farm Credit System, in order to maintain farm operations. PCA loan money comes from public bond sales, with farm assets as collateral. PCA officials are eager to lend, since their salaries are tied to the volume of loans secured in their local area.

The PCA and other farm-lending institutions reduce their risk by obtaining guarantees from the Farmers Home Administration (FmHA). Overall, the federal government stepped in with nearly $4 billion in the mid-1980s to bail it out.

The scam allegedly works this way: The PCA takes control of the farm income, and then attempts to drive farmers into bankruptcy. It then asks the FmHA to pay off the guarantee.

The farmers are driven from the land, and the PCAs get paid off at taxpayer expense.

Investigators would be wise to cast their net far: PCAs aren't the only lending institutions that may have been ripping off the federal government at the expense of family farmers. Private banks, too, are eligible for loan guarantees from the FmHA.

The farm crisis of the 1980s has devastated families, communities and the state of Iowa as a whole. The economic turn-around only now is beginning. It is integral to the rebuilding process that those who illegally profiteered by, and thus perpetuated, the misfortune of others be brought, at last, to justice.

PREPARED STATEMENT OF LARRY GINTER, MARSHALL COUNTY, IA

Senator Leahy, Senator Harkin, when I get through speaking you will probably either love me or hate me. Isn't this hearing just a matter of rhetoric? I have to question the seriousness of Congress on whether they are really interested in what rural America has and is saying.

The reason I ask this question is my personal observation of agriculture history back 37 years to 1952, because over those years I have witnessed a total disruption and slow destruction of our rural infrastructure. Millions of farm families have left the land, some voluntarily with nary a whimper, others involuntarily, but their cries are still not heard by Congress and the President because the carnage continues.

Even under the so-called Food Security Act of 1985, 450,000 farmers have left the land, and yet I hear Congressmen, business leaders, financiers, Farm Bureau leaders, and economists say the farm bill is working. I ask, "working for whom"? Certainly not those who farm the land and who were forced from the land.

Since the parity base period 1914 to 1920, our Nation has invested billions into agriculture research, technology and labor, both on and off the farm.

With the use of that technology, farmers since 1946 have increased their production level 91 percent to feed an additional 100 million people in this Nation.

According to the latest USDA inflationary price index, a bushel of corn should be valued at a price floor of $5.34 to pay for agriculture investment both on and off the farm. Today the price floor is just $1.60 for a bushel of corn. I ask, "where is the wisdom in underpricing our 69 years of agriculture investment in this Nation?"

According to Mr. Vincent Rossiter, a banker from Huntington, Nebraska, who is also an economic analyst and he has studied the economic indicators over the past 30 to 40 years. Throughout his research he has estimated that during the years of 1952 through 1986 farmers lost income totaling two trillion four hundred ninety-six billion dollars all because of a lack of a parity price or the correct USDA inflationary price index.

Because of that loss of income, this Nation lost approximately 9 trillion dollars because of that lost ag trade turn dollar. This Nation is approximately 13 trillion in the public and private sector, 596 billion in debt to foreign creditors plus an approximated 150 billion trade deficit.

Why once again does Congress choose to borrow instead of earning its wealth by the monetization of raw materials from the land?

PREPARED STATEMENT OF LESTER STEFFENS, PRESIDENT, IOWA STATE DAIRY ASSOCIATION, WEST UNION, IA

I am Lester Steffens, a dairy farmer from West Union, Iowa. In addition to my farm operation, I am a director of the North Central Region of Associated Milk Producers, Inc. and president of the Iowa State Dairy Association. My son and I have a partnership operation that includes a 60-cow milking herd of registered Holsteins. We farm 700 acres producing corn, soybeans, oats and hay.

The 1990 farm bill will set the tone for agricultural policy as we approach the 21st century. The decade of the 1980's has been a difficult and turbulent period for the dairy industry. Chronic overproduction spurred by a lack of reasonable alternatives in agriculture and low grain prices has been a feature of the industry through much of the period.

Temporary supply management efforts, in which both Senators Leahy and Harkin played major roles, helped to assist adjusting production to market needs. Another policy move you provided—the full participation National Dairy Promotion Program—has been instrumental in turning commercial demand around and increasing commercial sales 13.5 percent since 1983.

Right now the industry is in pretty close balance. While there is some surplus of milkfat, markets for fluid milk, cheese and nonfat dry milk are tight and prices reflect that fact. In the face of this, a reduction in the price support level as authorized this January 1 would be sending the farmer exactly the wrong signal.

In the longer term, the National Milk Producers Federation has taken a position calling for three specific actions with respect to price support policy:

—Continuation of the purchase-type price support operation.

—Development of an effective means of determining the price support level, one that reflects the costs farmers face in producing milk.

—Provision of standby supply management authority as a permanent part of dairy policy. Its use would be required under stated conditions to headoff the buildup of excess production capacity. The idea behind this approach is that the time to deal with a large surplus is before it happens.

These recommendations are a good starting point for dairy policy in the new farm bill. With respect to supply management, AMPI has long favored what has been termed a two-tier price program. When in effect, producers would receive the full market price for milk needed to meet commercial market needs. The producer price for excess milk would be substantially reduced and the difference between that and the market price would be remitted to the Commodity Credit Corporation to pay for removing the excess milk from the market. All a producer would have to do to avoid any reduction in price would be to limit marketings to commercial market demand.

The program is simple. No signup would be needed, no compliance checking required, no limitations on cattle sales and no sudden rush of cattle to market which could affect beef prices.

It would be effective in improving farm income by maintaining a reasonable supply demand balance. Perhaps best of all from the Government's point of view is the fact that it would place a cap on Government costs.

Since it appears we are approaching the needed supply demand balance in the dairy industry, some might argue supply management is not needed as part of the dairy policy. That is exactly the time it should be added. The authority can be put in place so it is available if needed in the future. This would avoid the constant dairy policy debates of the 1980's with which we are all familiar. It would also remove a good deal of uncertainty producers face and give us the tools needed to allow us to tailor production to the needs of the commercial market.

PREPARED STATEMENT OF HARLAN MEYER, PRESIDENT, IOWA PORK PRODUCERS ASSOCIATION

The Iowa Pork Producers Association is a trade association representing 22,000 members across Iowa. The association's members are primarily family farmers with a commercial pork production enterprise as part of the family's total farming operation.

Pork producers are increasingly involved in a technologically advanced and capital intensive business. Pork producers, just like other people who own and operate businesses across the United States, would like to obtain at least an adequate return for their substantial investment of time, energy, and dollars. One of the major factors affecting pork producer profitability is Government policy as it impacts a producer's cost of doing business and a producer's ability to effectively market products. Positive profitability is the only way in which there will continue to be enough producers of pork who can assure American consumers what they want—an abundant and safe supply of reasonably priced food.

Generally speaking the 1985 farm bill has been successful in that it provided a continuous supply of feed for livestock while providing new export enhancement programs. However, a close look needs to be given to the emergency feed programs. As you know, much of Iowa experienced a drought last year and we are concerned about the prospects of a crop this year. A message delivered to the Iowa Pork Producers Association from its members who needed drought assistance was the emergency feed programs just weren't workable. The programs should be workable or eliminated.

Our primary concern at this time is to look forward to the 1990 farm bill. Pork producers will need the cooperation of the Federal Government to undertake certain research programs and coordinate national efforts to control and eradicate swine diseases. The Federal Government can be of assistance with basic research and be available for consultation and coordination in implementing programs.

Biotechnology is certain to open a new frontier for agriculture. We need to ensure mechanisms are in place to evaluate and use those technologies that fit into our goals in agriculture. The transfer of technology from research to industry needs to be encouraged. New products need to be developed to meet the needs of consumers throughout the world.

Livestock producers make up approximately 50 percent of the total agricultural income, but animal agriculture does not receive anywhere near half of the Federal agricultural research dollars. The research expenditures for the improvement of animal agriculture have not been proportional to expenditures on plant research. Swine research, in particular, is underfunded. Land-grant universities and Agricultural Research Service institutions have been lacking in funding to keep up with inflation and our foreign competitors. Pork producers need the support of research directed at lowering costs and increasing the efficiency of production through genetics, breeding and other mechanisms. Product development and more sophisticated marketing will be required if we are to sell competitively in the international marketplace.

The market forces of supply and demand would function well if left alone. However, that is not the case in the international marketplace where some foreign producers are subsidized. The Federal Government needs to intervene to offset unfair foreign marketing practices, rules or subsidies. Although American pork producers only export slightly more than 1 percent of their production, the right trade policy would provide new opportunities. Hopefully, export programs can be designed in the 1990 farm bill that will provide us an opportunity to be more responsive to trade distorting practices of our foreign competitors. To dismay of Iowa's pork producers, the United States is a net importer of pork in value terms. Iowa's pork producers are also concerned that pork imports meet the same health and sanitation standards that are required of domestically produced pork.

The future agricultural productivity of our country depends upon the continued availability of an adequate supply of ground water and fertile cropland. It is in the long-term interest of the United States not to exhaust our natural resources for short-term profit. In that regard, the Iowa Pork Producers Association supports conservation legislation that would deny all Federal farm program benefits for commodities unless produced on approved land.

Water quality is an important issue to pork producers as they are both consumers and agricultural users of water. Opportunities exist to increase the amount of information available to all citizens including farmers to reduce ground water pollution. Additional funds either in the form of low interest loans or grants should be directed toward the rural water program.

Pork producers are concerned about food safety and see the need for continued efforts to ensure the agricultural community provides safe and wholesome products to consumers. The National Pork Producers Council has developed a quality Assurance Program to help pork producers improve their management skills and reduce the risk of incidences that could destroy consumer confidence in pork.

Since the 1985 farm bill has worked well in stabilizing U.S. agriculture, its general direction should be continued in the 1990 farm bill. Pork producers do not want a Government program which makes the pork industry dependent on taxpayers. Caution needs to be given to the fair treatment of various commodity producers. The U.S. livestock producers need to be considered when determining a feed grain program.

PREPARED STATEMENT OF PETE THURMAN, MARION, IA

"Is There a Moral Obligation To Save the Family Farm?" This is the name of a book edited by the head of the Iowa State University Department of Religion. This is the right question. And the number of emotional opinions expressed in the book show the difficulty of coming to some solution of the problem. The author concludes by saying that the family farm as it now exists is best defined as so much political rhetoric to advance the self-interests of the large commodity groups.

The author further states that the family farm does have some bad points, such as the way it exploits women and children, and also the fact that the family farms are almost exclusively controlled by white males. On the other hand he concludes that there are some very bad points about having 50,000 superfarms and oligopolistic capitalism that it would establish. I would agree with all of the above. However his main conclusion appears to be that the farmer does have the moral obligation to feed the city man at any cost.

My first reaction to this book was that it leaves out any reference to foreign agriculture. That to me is a major mistake because agriculture or adjusting our food to the population explosion or vice versa is one of the major problems facing mankind if man is to stay around this Earth for a while. The second major problem facing mankind is to find some other ultimate solution to all problems besides war. The third major problem is for man to learn to adapt and work with the environment before it destroys man. The fourth problem for man is to develop the kind of men and women who have the brains and the courage and the foresight to make this Earth work. A good solution to agriculture could make some contribution to the above problems.

If we are to answer the question we need some definitions such as: What's economic democracy? What's a family farm? What's the moral obligation?

First let's look at economic democracy. In many countries such as Japan, Holland, Scandanavian countries, England, West Germany, India, Spain and Yugoslavia the ratio between the richest 20 percent and the lowest 20 percent is about 5 to 1 or 7 to 1 compared to 30 to 1 in Peru and Brazil. When you have such a ratio as 30 to 1 you have to have an internal army just to protect the rich landowners. Many of the European countries after the French Revolution used the family farm as a method of dividing up the wealth with the rise of the national states, and it has stood them in good stead to this day. In Japan in 1948 MacArthur when he was afraid of what the Chinese Communists were going to do, he told the Japanese landlords to either farm their land or sell it, so he got rid of the landlords. He also limited the size to 5 to 10 acres, and guaranteed the farmer the same income as the city man. As a result Japan still hasn't heard of the one-man-one-vote principle and the millions of Japanese farmers have a big say in the majority party. In India Gandhi did much the same when the British left, in Uttar Pradesh we were told that one person could only own 18 acres of irrigated land or 54 acres of dry land. In other words in an economic democracy you need some restraints on land and wealth.

Let's look at the family farm. A visit to Africa this year really opened my eyes. Here's where the family farm began, and it started long before states, laws and religions began. There are still thousands and thousands of subsistence farms left in Africa farmed 90 percent by the women because they can't own property. This is right alongside 3,000 acre plantation family farms producing cash crops for export to the largest multinational corporations on Earth. In the past the warriors furnished the protection for their communal owned land. In Europe, Asia, and South America feudal kings furnished the protection and became the ultimate in family farmers and warlords. America itself was really founded, in great part, by people running away from serving in the armies of these warlord family farmer kings in Europe who had to have a professional army. In America we never went through the feudal stage and such a stage as the French Revolution, so it's a little hard to understand the problems. So we made our own American dream for 150 years with the freedom to farm without restriction, actually we were restricted by what we could farm with a horse, with these restrictions we made economic democracy work better than it ever had before. Today we see some disturbing trends in the farms of the Third World and first as well. It appears that almost 90 percent of the best land in the world is in cash crops to be sold to the first world and its great cities who already eat 10 times as much protein as they need, while the poorest farmers on Earth which number about a billion must feed themselves off the poorest land on Earth with one-fifth the protein they need, and they are exploited by the nightmare population growth cities of the Third World. So, there are at least three types of farmers out there, the subsistence farmer, the American farmer of pre-World War II, and the cash crop farmer who can be as big as the sugarcane farmer we met in Brazil in 1979 who had 100,000 acres.

Lastly let's look at moral obligation. In the book one writer states what he thinks a Christian definition of a family farm should be. But they don't quote what an Islam definition would be, nor a Hindu definition, nor an African, nor an Indonesian, nor an Israeli kibbutz. We have to look further. If the dinosaurs lived for 150 years that ought to be some kind of challenge. We ourselves as human beings are not immune to the great extinctions that have taken place every 26 million years for the last 250 million years. With a billion stars out there, what happens to man is not of much consequence. Man will have to create his own destiny. (Read Geographic June 1989.) Over the last 250 million years, and the great extinction that is taking place now due to man. (Read the June 1989 National Geographic.)

To answer the question. Is there a moral obligation to the save the family farm? Yes, I would argue that there is great value in saving the family farm based on economic democracy, but only if our friends from the city want to apply economic democracy to the city. If not we are wasting our time talking about it, and we just as well continue our frenzied search and gamble to see what's going to happen next. In fact we should also ask the question whether there is a moral obligation to save the big city? I would argue that ever since we passed the one-man-one-vote rule in the United States the big city can do no wrong, and everything we do on the farm is for the purpose of preserving the big city. The environment itself has only one purpose and that is for the use of the big city. Even war itself has great value in keeping plenty of poverty so they can use the people in the army and they can keep themselves out of mischief and keep the farmer under control. This is what is happening in much of the Third World.

I hasten to add that the family farm has many of the qualities that would be most useful to the long time survival of mankind.

1. *As a tool for economic democracy.*—As the American dream it worked very well in America for 150 years. This is in contrast to the big city of today where they have gone to great lengths to develop legalistic and labyrinthine methods to perpetuate inequality.

2. *As a tool to show man his relationship to the Earth.*—This Earth can only feed so many people. In the big city it is hard to visualize food production or environmental degradation when you buy your food off the shelf in a supermarket. It bothers me that the American dream today is to move to California and get a defense job at a big wage (40 percent of California labor works for defense) and you hire a Mexican to do the farming. No pride in farming.

3. *As a tool to live on what you've got, and have a purpose in life.*—Father may not have been a professional, but in most cases he got the job done. In many European countries they have professionalized the farmer today. However, it has been hard for the family farmer to learn to compete with the big city, which can give you a big paycheck, a big weekend, a big pension, a 40-hour week all with little responsibility, and a welfare check if you lose.

In response to the author's conclusion that the farmer has a moral obligation to feed the city man at any cost and under all circumstances. I would agree that at no time in the history of the Earth has cooperation been more critical between the city and the farm. So let's look at some of the countries who have based their government on cooperation between the economic democratic family farm and economic democratic city, such as the Western European countries, Japan, Taiwan, Korea, and Israel. These are the states with the high literacy rates, that means that they can make democracy work as good or better than the Americans. They have zero population growth, so it's not hard to make agriculture and conservation both work well. These are the people who live on what they've got. They have a gas tax of $1 or more, so they to conserve on gas, put their malls at the railroad station and make bicycle paths. But they don't intend to go broke buying Arab oil. They have universal conscription for their military army, which means that their military costs are at least one-eighth of ours, and they don't have to have an internal army to protect their millionaires. They have done away with poverty better than most, so their crime and their crime costs are way down. They seem to have more purpose in life or something that keeps their use of drugs down compared to the rest of the world. They seem to have the courage to tax their millionaires, so they can keep them in line and make them pay their share, that way they take take care of their farms and cities. You have the feeling that they believe in conservation and they want to be around for another 1,000 years. In addition these are the people that speak four or five languages and are buying America up, and taking the world's markets away from us. There is no greater sales tool in the world than to say to the Third World, we believe in economic democracy and we practice what we preach.

Lastly I want to thank the author and editor of the book for forcing us to look at this subject from a long time view. In my view the family farm based on economic democracy in cooperation with the big cities based on economic democracy could be an effective tool for the survival of man on this Earth. Good structures and good tools are going to be absolutely essential from now on. If the dinosaurs could stay alive for 150 million years, it doesn't appear as too impossible for man to do the same. We do have a brain, we do have some idea where we are going, but time is running out.

PREPARATION FOR THE 1990 FARM BILL

Livestock and Commodity Programs

MONDAY, OCTOBER 16, 1989

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Camilla, GA.

The committee met, pursuant to notice, at 8 a.m., in the Mitchell-Baker Comprehensive High School Auditorium, Camilla, Georgia, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy and Fowler.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. Good morning. I am Patrick Leahy, the chairman of the Senate Agriculture Committee.

It is good to be back here in Georgia. I was down here with the committee in the spring of 1987 with Wyche, and, of course, a number of Georgians have been up to Washington to testify since then.

We are going to have a regular hearing of the Senate Agriculture Committee this morning. I mention that for the sake of those who are going to be testifying. Your whole statement, if you have one typed up like this, will be placed in the record. I would strongly suggest to the witnesses that you submit the full prepared statement for the record. I am actually a chairman who does read the statements, so if you were going to leave one item for the Senate Agriculture Committee that you would like us to remember as we start to write up the farm bill, try to stress that one point. But the whole prepared statement will go in the record and your testimony will be part of the official records of the U.S. Senate. You will actually get back a copy of your testimony. This talented young woman down here is keeping a transcript of everything you say. You will get your testimony back, so when you look at it and find it was off a little bit on those numbers or you wish you had added a little bit more, you will have the opportunity to do that. What is said here in Georgia today will be part of the record of the U.S. Senate and will become a vital part of the debate in the 1990 farm bill next year.

One of the reasons we are holding this hearing is that although we can hear from a lot of people in Washington, so many times the view we get outside of Washington is a little bit different. I have been together with a number of you last night and again at breakfast this morning. Some of the people that Senator Fowler has introduced to me I have also met on previous trips here, and it is from people like you that I get far more effective and a realistic idea of what we need in farm policy. The people in this room, many of you, most of you make your livelihood from farming; the decisions we make make a difference as to whether you can keep on doing that or not.

I am particularly pleased, of course, to be here with my good friend and longtime colleague Wyche Fowler. He has been absolutely essential. He put together two different disaster bills in the last couple of years on the Agriculture Committee. He was the one who had to make sure that this part of the country was considered in those bills, and he did. He has been extremely important in every piece of agricultural legislation that has gone through since he has been in the U.S. Senate. He has been part of the core group that has helped write legislation and has helped get it through the Congress.

Besides that, he is also a very good and close personal friend of mine. He will be the person I will be turning to as we work on the 1990 farm bill when questions come up on commodities raised in Georgia, and when questions come up about what the farm bill might do to the economy of Georgia. At that point, as chairman of the committee, I will sit back and turn it over to my friend Senator Fowler and say "OK, Wyche, now what do we do here?" With that, I turn it over to Senator Fowler.

STATEMENT OF HON. WYCHE FOWLER, JR., A U.S. SENATOR FROM GEORGIA

Senator FOWLER. Patrick, thank you. Shifting to a little more formal hearing, Mr. Chairman, I thank you for those kind words. I want to be very brief, and for those coming in, please, we have plenty of seats down in front here.

We want to welcome Senator Leahy back to Georgia. We had breakfast this morning here in Camilla, and as I said at the time, in thanking Senator Leahy, he gets as chairman of the Senate Agriculture Committee, Members of the U.S. Congress begging him, literally, to come to their States to listen firsthand to their farmers, he not only chose to come to Georgia for this hearing as we prepare to go into the 1990 farm bill but this is his second trip, his second hearing in our State, for which I am personally very, very grateful.

Mr. Chairman, I cannot think of a better place than Mitchell County to discuss the problems and opportunities that we face as farmers in writing the best farm bill for 1990. We will hear testimony this morning from the various representatives of commodity groups and farmers who can tell us what is working and what is not working, what we ought to be emphasizing, what we ought to be looking at as we go about our 5-year job of examining the 1985 farm bill and preparing to enact the 1990 version early next year.

Mitchell County has as much diversity in its agriculture as I think I said from peanuts to—what is another "P" you grow here—poultry. You do not grow so much but you sure process a lot of it.

We are going to hear from soybeans and cotton and tobacco, all of which is centered in this area of southwest Georgia, particularly in Mitchell County. Thank you for being here.

As we begin, let me reemphasize that everyone will have their full prepared statement put in the record, so, whenever you can summarize, it will be very helpful as it will give us some time to have a little back and forth time for asking questions.

With that, Mr. Chairman, we begin with the Commissioner of Agriculture, who you know very well, to be our leadoff witness, Commissioner Tommy Irvin.

STATEMENT OF THOMAS T. IRVIN, GEORGIA COMMISSIONER OF AGRICULTURE, ATLANTA, GA

Mr. IRVIN. Senator Leahy and Senator Fowler, it is a delight to be here with you this morning, and to you Senator Leahy, we are delighted to have you, as I have said, I think already on two previous comments since you have been here, that we welcome you back to Georgia. We want this to kind of be your second home and come back and visit with us often.

In looking out over the audience here, I think you are going to find some of the better spokesmen for the commodity groups that you will find anywhere in the South and hope that some of the commodities, the only spokesman for some major commodities that are of interest to us here in Georgia.

CURRENT 1985 FARM BILL HAS SERVED US WELL

As I related to you, we feel that the current 1985 farm bill has served us well. There is a philosophy here in this State if it is not broke, let us not be trying to fix it. There are some areas that there is some interest in what we call fine-tuning certain provisions of the commodities that the bill relates to. I leave most of that up to the individual commodity spokesmen to get into those particular sections.

SEVERAL MAJOR COMMODITIES ARE OF UTMOST INTEREST

Needless to say, several major commodities are of utmost interest to us here in Georgia. Peanuts is our number one farm row crop. You are aware of the statistics. We have in excess of 40 percent of the acreage allocation. We produce in good years up close to 50 percent of the total production that is produced here in the United States so anything that affects peanuts certainly for this region of Georgia, is of vital interest to our farm families. We think it is a good workable commodity. The year I was national president and had the opportunity to make quite a number of speeches throughout the Nation, I related to the fact of the success of the peanut section of the farm bill. I felt there were certain features of that bill that could be used to serve other commodities extremely well. I remember in Texas and Kansas and Nebraska and several other big farm States, I felt that comment went over relatively well. I say that because we think it is one of the model sections of the current farm bill.

TOBACCO PROGRAM

We have another section that is kind of unique to the South—another commodity that is not in the farm bill. I guess it would satisfy us extremely well if it was just left alone, and that is the tobacco program. It is a program that has went through some traumatic experiences over a period of about 10 years. So, Senator Leahy, that you might be informed, the leadership here in Georgia, including myself, had advocated some changes in that bill over a period of, I guess at least 5 years before we were able to get North Carolina, which is kind of the dominant State on tobacco, to agree but to turn around and change when the new legislation that is currently on the books was put in place, it served us extremely well. Our exports of Flue-cured tobacco are going up and part of our allotments are coming back and we just harvested an excellent crop and for this region here, it has put a lot of new money back in the pockets of our farmers. I guess to basically say certainly with that crop, if it is not broke, let us just leave it alone, allow it to function well. It helps our balance of payments and does a lot of things we think is extremely beneficial to our farmers here in Georgia and throughout this region of the United States.

COTTON

Another major crop in which we have major interests in is the cotton section. I guess to sum it up, the cotton section, and I know we have some speakers who will get into more specifics, but the comment that I hear from some of the leadership is that they think there has been a few times the Secretary should have used a little bit more of his discretionary power, but basically the program is working well. And even though you probably will not have an opportunity to see a lot of the lint that we are growing but we have a good crop this year. It looks good and the market is strong, it is really upbeat. It has helped us to diversify.

BOLL WEEVIL ERADICATION PROGRAM

We do want to thank you, and certainly Senator Fowler, for your interest in helping us keep intact the boll weevil eradication program. It has been a program that is basically farmer funded. Even though it is like all programs, it may not have been perfect, but it is serving our farmers well and the comments I hear from the farm sectors that it is going to be a real, real popular thing in the future and I think to you as a Senator from New England, I think one thing that we need to probably talk more about is the impact it is going to have on our environment and cutting down such huge tonnage of pesticides that will not have to be used in the future to combat the boll weevil. I think it gives us an excellent arguing point when there is as much concern as there is today about our ecology and our environment. I think it is one of the real success stories as far as how we can innovatively do things to use less agriculture chemicals in the production of a major commodity.

SOYBEANS

I am going to leave most of the comments to my good friend James Lee Adams on soybeans, but I have been in a couple of meetings with him recently, and I have heard some of the comments of some of the innovative approaches they want to use for that major commodity that is probably of more significance in other regions of the country than it is in Georgia, but it is certainly vital to us here because we do have the capacity to double crop soybeans behind wheat here in the Deep South and it is another very important part of the commodity structure that we use to diversify our farm community.

FOOD SAFETY

I think there are some other areas that we must be very concerned about and things I am sure is going to be very much on the leadership's mind in the future and that is food safety. And since our department is involved in regulatory agriculture, I do want to tell you that we have a strong commitment to continue to serve—to assure our consumers of our agriculture commodities that we do have safe commodities, we are going to have those in which we are not ashamed to put on the shelves of the marketplace and continue to say to them that the quality and the safety of food today is better than it has ever been since mankind. I feel extremely strong about that and I feel very comfortable in making that statement here today. Innovative analytical work that we are able to do today and the fact that we are able today to analytically test for a lot of the natural products in many of the commodities that we produce, that we can screen that and put it through the system and assure our consumers that our food that we offer for sale is the safest ever.

POULTRY—EEP

Some of our other major commodities that are not in the farm bill have some of the same interests as those that are in our farm bill. One of those is poultry. I live in the northeast section of the State in what is commonly known as the poultry capital of the world. I do want to relate to you Senator Leahy and Senator Fowler, that there is strong interest in keeping the export enhancement section in the farm bill. We think with the recently announced sales to Russia and the efforts to try to get back into the marketing area that we have been deprived of for many years it is going to help us tremendously in selling more of what we call value-added products such as chicken, and I might remind my commodity leaders out here, you feed soybeans, corn, and other ingredients to chicken and anything you can do to enhance that production I think dramatically helps us in our overall diversification.

DIVERSIFICATION WE HAVE HERE IN GEORGIA HAS SERVED US EXTREMELY WELL

I think you are going to find, hopefully, in some of the other testimony that is before this committee, that the diversification we have here in Georgia has served us extremely well. We have the world famous Vidalia onion produced here in Georgia. We have a lot of the fresh fruits and vegetables that go on the dinner table all throughout the United States and we hope some of these products maybe into the world marketplace are produced right here in this section of Georgia, and we feel extremely pleased that our ability to serve those needs is going to be very beneficial to us in this production region of the United States.

DAIRY SECTION GREAT CONCERN

One of the areas of great concern to us in Georgia is the dairy section and I happen to know that Senator Leahy is from a region of the country where you have a special interest in this. I think some of the problems that you are experiencing in your home State are very much the same type of problems that we are facing here. We think it is absolutely essential to keep the differentials in the dairy section. We think to not have that provision in the dairy section could literally in the future put us in the position of not being able to produce milk in the region in which it is consumed. Since I drink a lot of milk and I know fresh is best, and if it is not fresh, it is just generally unacceptable to our consumers, that we must have a farm bill that allows us to evenly compete in the production of this very, very important natural product that is so essential for our general public.

CLOSING REMARKS

In closing, I would like to say I will be glad to answer any questions you might have and say again, thank you for coming here and giving us the opportunity to tell you firsthand that I appreciate the support you have given our farm families and that we lend our support in trying to come forth with a very successful farm bill next year.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Irvin appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Commissioner. Over the years I have found it has been very helpful to pick up the phone and call you, and I have. I know you've never hesitated to pick up the phone and call me with advice that has been well worthwhile and I appreciate it. Certainly the years you have had as Commissioner here in Georgia carries a great deal of weight, not only in the State, but with those of us in Congress and with your fellow commissioners and secretaries of agriculture around the country.

I think the comment you made about something not being broken, do not fix it, that is a common one in my own State of Vermont. I would hope that when we get out of the 1990 farm bill that we will be able to give some predictability in our farm policy. It is my intention to assign hearings this year and prior to the markup this year, getting into debate early next year so that farmers, ranchers, commodity producers, those who are connected with the whole agricultural sector will have some predictability of what is going to be in that bill. I hope that our committee is able to get the legislation through much earlier than it normally is so that the kind of decisions people have to make on planting or what type of crops to grow, how far to expand their operations or contract their operations. They can start making those decisions early.

I have no questions. I thought your testimony was conclusive and I appreciate your raising the aspect of dairy. It is like the Southeast and Northeast is also a deficit State in producing dairy and we do not want to be in a position where we have to ship our dairy products to other parts of the country any more than you.

Wyche, do you have any questions?

Senator FOWLER. No, I just want to thank Commissioner Irvin for his usual fine testimony and his help to me personally and through me to you in working together not only on the best kind of commodity prices but also specifically, Tommy, for your help in trying to develop the right kind of conservation policy as we move toward the 1990 farm bill. There are a lot of things we can discuss back and forth as we do almost weekly, but as the Commissioner said at breakfast this morning, we have four panels here and if we do not move on, we are not going to get to them. So Tommy, thank you so much.

Mr. IRVIN. I filed a more comprehensive prepared statement with your committee. Thank you for your time. It is always a pleasure. Thank you.

Senator FOWLER. Thank you. [Applause.]

If our first panel will come forward; Wilbur Gamble, the chairman of the Georgia Commodity Commission for Peanuts, Evans Plowden, general counsel of the Southeastern Peanut Association and Jimmy Curry who is the president of Georgia Peanut Producers Association in the thriving metropolis of Shellman, Georgia.

The CHAIRMAN. We are going to find out how big Shellman, Georgia is.

Mr. CURRY. About 1,200.

The CHAIRMAN. You said about 1,200 and I see my wife smiling in the audience. The little town, Middlesex, Vermont, that we live in, where our home is, is almost exactly 1,200 people.

Senator FOWLER. Since I think Mr. Gamble is going to start out here, I can have a little poetic license and tell a little story—everybody in the audience, we have written testimony, about 7 or 8, some cases 15 pages of these learned gentlemen that we are going to ask them to summarize so that we can have a little give and take on the questions and I have to tell Wilbur because we swap stories, I have stolen so many of his, it reminds me of this fellow who remembered his mother on Mother's Day and he was down by the pet store and he sent her this beautiful parrot. A few days went by and he had not heard from his mother. He called her up and said, "Mother, how did you like that fantastic parrot I sent you?" She said, "Delicious." He said, "Delicious? You ate that parrot? That parrot cost a thousand dollars, that parrot spoke five different languages." She said, "Well, why did he not say something?" Well, we are going to let you say something this morning but summarize wherever you can so we can have a few questions back and forth. Gentlemen, we welcome you.

Brother Wilbur, you want to start out?

STATEMENT OF WILBUR T. GAMBLE, CHAIRMAN, GEORGIA AGRICULTURE COMMODITY COMMISSION FOR PEANUTS, DAWSON, GA

Mr. **Gamble**. Senator, I do not know whether we as peanut growers are not as smart as other commodities or we are better satisfied. But my testimony is very short.

Chairman Leahy, Senator Fowler, let me take this time to thank you for holding this field hearing in Georgia to allow us the opportunity to discuss our desires for the 1990 farm bill.

BACKGROUND

I am Wilbur Gamble, a farmer from Terrell County, Georgia and the Chairman of the Georgia Peanut Commodity Commission. Our Commission represents over 10,000 peanut growers in the State.

PEANUT PROVISIONS OF THE FOOD SECURITY ACT OF 1985 ARE WORKING AND WORKING WELL

The peanut provisions of the Food Security Act of 1985 are working and working well. Under those provisions we have eliminated cost to the Government, maintained stable prices, managed production, and grown our markets both at home and abroad. I cannot emphasize enough that the program is working and working well.

Because of the program we have been able to supply the American consumer with the most stable supply of high quality peanuts in the world. At the same time we have built an industry that means $500 million to Georgia's farmers who presently produce almost half of the Nation's peanuts. The economic impact of the peanut industry in Georgia exceeds $2.5 billion.

It is an over used but quite appropriate adage, "if it is not broke, do not fix it". We are very pleased with the way the program works and would like to see only fine tuning in the 1990 bill.

FINE TUNING THE 1990 BILL

First, with the increase in domestic consumption we would like to see the quota floor increased from 1,100,000 tons to 1,350,000 tons. This will ensure a stable supply and inasmuch as it is below the present quota as established by the USDA at 1,440,000 tons should pose no budgetary risk to the Government. We feel comfortable with USDA's present level and support the continuance of adequate quota levels to meet demand and assure continued growth in our domestic market.

Second, we would also like to see an extension of the contract deadline to the date of delivery but not to exceed December 15 of the crop-year. This will allow farmers the option to contract their crop early or wait as late as harvest to make their marketing decisions. This minor change will address several concerns. First, it will help reduce the risk the shelling industry faces in the export market. It will limit the pressure on the area associations especially in years of large production. Finally, it will allow farmers to share in any late season price movement.

CONGRESS HAS MADE A COMMITMENT TO MOVE FORWARD WITH THE 1990 BILL INDEPENDENT OF THE GATT NEGOTIATIONS

We are especially pleased that Congress has made a commitment to move forward with the 1990 bill independent of the GATT negotiations. We hope the bill will continue to bear the title "Food Security Act" because it is more far reaching than just a farm bill.

THANK YOU

I would like to personally thank you for giving me the opportunity to come before you today to express these views. Thank you too, for giving us a program since 1985 which works well.

Thank you.

The CHAIRMAN. We will receive all three witnesses testimony and then we will go to the questions.

Senator FOWLER. Mr. Evans Plowden.

STATEMENT OF EVANS J. PLOWDEN, JR., GENERAL COUNSEL, SOUTHEASTERN PEANUT ASSOCIATION, ALBANY, GA

Mr. PLOWDEN. Thank you Senator Fowler and Chairman Leahy. I represent the Southeastern Peanut Association which is a trade association of the peanut shellers operating in the Southeastern United States—Georgia, Florida, and Alabama. Our members in the Southeast handle over 60 percent of the quota peanuts in the United States and approximately 80 percent of the commercial additional peanuts.

My profession is often accused of never using one word when two or three will do just as well but I am going to resist that stereotype this morning and skip most of the prepared testimony that is filed with the committee.

GREAT BILL IN 1985

I would echo what Mr. Gamble said. You all wrote a great bill in 1985, we support that bill. We support a continuation of it. Quite frankly, Mr. Chairman, our problem has traditionally been with the regulations more than with the legislation.

UNREALISTIC SHRINKAGE ALLOWANCE

From our standpoint the greatest problem arising out of the 1985 legislation was the regulation providing for an unrealistic shrinkage allowance. As you know, your committee and the Congress has resolved that problem legislatively this summer. However, it is such a great problem with us that it is our great concern that your summer solution find its way into the 1990 bill. I will not go into all those reasons because you have probably heard more about it than you wanted to this summer, I have no doubt.

UNREASONABLE DELAY IN FORMULATING THE REGULATIONS

Historically the peanut industry, and I suppose industry in the United States, has experienced difficulty with the regulatory process. Our particular problem is in two areas. First, there is often an unreasonable delay in formulating the regulations. For instance, the 1985 bill was passed as I recall about December 22, 1985. We received regulations under that bill about June 20, 1986. We simply cannot, and I do not think any commerce can fly in the dark that long. The crop was planted and most of the contracting was done before either the shelling industry or the growers knew what the regulations would be. So delay is a substantial problem to us.

REGULATORY PROCESS DOES NOT MEET THE REAL WORLD

The second problem with the regulatory process is that it often does not meet the real world. I suppose if I had a solution to all of that, I would be in some different position than I am this morning.

Senator FOWLER. You would be in the Senate.

ESTABLISH SOME TYPE OF ADVISORY COMMITTEE TO THE SECRETARY

Mr. PLOWDEN. But I would make this as a suggestion, and I know this has been done in other areas of American commercial life, if we could establish some type of advisory committee to the Secretary that could have input before these things are published in the Federal Register, I do not think that could be anything but helpful. We certainly do not expect to write his regulations but we could at least urge a faster process and I think eliminate those prospective regulations that end up having to be changed because they are just totally unrealistic.

TECHNICAL CHANGES

Again, we have a number of technical changes that we would like to see in the next farm bill. They are minor, they certainly come under the category that Commissioner Irvin classified as "fine-tuning" and some of them Mr. Gamble has already mentioned.

REGULATIONS ISSUED WITHOUT ANY PUBLIC COMMENT PERIOD IS UNWISE AND UNFAIR

One, I will make just a quick comment because I know the chairman has stated before his concern about this, that the Secretary of Agriculture has apparently taken the position that some of his regulations will now be made without any public comment period. That has been used frankly in the peanut area with respect to differentials between types. We think that is unwise and frankly unfair to just make those changes from an executive fiat without even the formal provisions for some comment.

Again, let me just say we think you wrote a fine piece of legislation. We support it with some fine tuning. I also want to say how much we in the industry appreciate the responsiveness that the committee and its staff has always shown us when we had a problem.

Thank you. [Applause.]

[The prepared statement of Mr. Plowden appears at the conclusion of the hearing.]

Senator FOWLER. Thank you, Mr. Plowden.

Mr. Jimmy Curry, the president of Georgia Peanut Producers Association. Welcome.

STATEMENT OF JIMMY CURRY, PRESIDENT, GEORGIA PEANUT PRODUCERS ASSOCIATION, SHELLMAN, GA

Mr. CURRY. Mr. Chairman, Senator Fowler, we appreciate you holding this hearing in peanut country. My name is Jimmy Curry. I represent the Georgia Peanut Producers Association, a voluntary, nonprofit organization of actual producers.

MEMBERSHIP IS IN FAVOR OF AND URGES CONTINUATION OF THE PRESENT PEANUT PROGRAM

Our membership, Mr. Chairman, is in favor of and urges continuation of the present peanut program. We feel that the present program is the most equitable program for the entire industry. At the same time, it is the most beneficial of all our present commodity programs to the taxpayer because it operates at little or no cost to the taxpayer. In fact, the total cost for the year of 1984 through 1989 was only $61 million total, or less than one-tenth of 1 percent of all the costs of farm programs.

Our present program provides an adequate supply of the highest quality peanuts grown anywhere in the world. The peanut program guarantees a fair return to the producer while keeping prices stable year in and year out.

ITEMS FOR FINE TUNING

Our membership would like to see some fine tuning as has been mentioned by those ahead of me on this panel.

First, through elimination of any contract deadline for additional peanuts.

Second, continuation of the existing section 22 import quotas.

Third, encourage the elimination of LSK's from the edible market.

Fourth, continue fine tuning the present Federal Crop Insurance Program so that producers are provided with the protection that would cover normal production costs at a premium that is reasonable and affordable.

Fifth, we recommend establishing the present peanut program as a model agricultural program through permanent legislation.

Sixth, we applaud the statement of the chairman who emphasized and I quote "Congress will decide whether or not to accept or reject any agreement made by the administration in Geneva or any other place."

CAREFULLY MONITOR THESE INTERNATIONAL TRADE NEGOTIATIONS

In summary, Mr. Chairman, we respectfully request that your committee carefully monitor these international trade negotiations so that our peanut program is not damaged or lost.

Thank you again for allowing me to address you and your distinguished colleague. [Applause.]

[The prepared statement of Mr. Curry appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. Mr. Gamble, I wonder if my understanding of peanuts that are grown in Georgia, Alabama, Florida, up and down North Carolina, Virginia area, some in Texas and Oklahoma, if I were eliciting testimony from peanut producers in those areas, do you think they would take pretty much the same position you have?

Mr. GAMBLE. I believe it would almost be identical. There might be some minor points they would like but the peanut industry—we have no problem and the national growers groups are united as far as what we would like to have. We are happy with the program. It has worked very good for all areas. I think you would have the same thing no matter what State you went into.

The CHAIRMAN. So it is not a regional thing?

Mr. GAMBLE. It is not a regional thing at all. It might be some minor thing but it is not anything I can think of. The things I have I think you would find the same thing. We are very pleased with the program, we wish other programs worked nearly as well as it does.

The CHAIRMAN. The reason I mentioned that, I think in coming into any farm bill, if an industry can be united, it is far more beneficial for them. I think the times they have difficulty is that the industry itself is split and sometimes this has happened in other industries. As you know, they have been split very much along regional or geographical lines and, of course, this has made it very very difficult to try put together a piece of legislation.

I was very pleased to hear what you had to say and I have taken note of what you said both here and in your written testimony about section 22 and GATT, and believe me, we are looking at that and I am going to mention that again in just a moment.

Mr. Plowden, it comes across loud and clear, not only in what you said, but also having read your prepared statement about the shrinkage, what we did this summer and I will certainly carry back to the others that is something that you are urging. I am sure there is unanimity on the panel that that be incorporated somewhere in the legislation.

What you said about the advisory committee, in fact, Wyche and I kind of leaned over to each other when you mentioned that and we were really surprised the Secretary does not have an advisory committee anyway. That is something we should not even have to write in the legislation, he ought to be able to just do.

Mr. PLOWDEN. Mr. Chairman, I suspect you are correct and I guess some degree of paranoia would keep me from giving you an entirely candid response to that.

The CHAIRMAN. If you would like a private conference after this, we can work it out.

Mr. PLOWDEN. I have heard some indication that there is some reception to that. Certainly it would seem to help resolve some of his problems and we think in the peanut industry and the entire industry it would help. So often we end up with what seems to be a theoretical answer to something that seems perfect and then when you move it into the real world, be it from a grower's standpoint, a sheller's standpoint or wherever, it just does not work and those people that were out there every day knew it would not work but they were never asked and never had a chance to say so.

The CHAIRMAN. And, too, some of those things you can head off problems you can talk about ahead of time before they get polarized and having to take a position.

Mr. PLOWDEN. Absolutely.

The CHAIRMAN. I will pass—informally anyway, I will pass on to the Secretary that he ought to at least consider it. I cannot speak for what he would do but I will pass it on.

Mr. Curry, let me emphasize something I said last night and it is exactly what I said to the Secretary of Agriculture on Friday morning. I went and had breakfast with him and we were talking about GATT and I pointed out that I was going to send observers from my committee, first the staff level, to go over and observe what is going on at the GATT talks. There would be individual Senators who would go over at different times depending upon their schedules. Wyche and I were talking about it during the last few weeks. We have done more canceling of things on the schedule than adding things on because of the way the Senate has been going, many times almost around the clock until 2 or 3 o'clock in the morning and on weekends, but I am going to have observers at GATT.

I want everybody to understand, I want the Secretary to understand, the 1990 farm bill is not going to be written in Geneva. The 1990 farm bill is going to be written in the Senate and House Agriculture Committees and on the floor of the Congress the way it always has been and that is the only way. [Applause.]

I was delighted to hear what you had to say, obviously, and tell you there is not a person in agriculture in the State of Vermont that would disagree with you on that. The regional accents might be a little bit different but the message is certainly the same thing whether it is in Vermont, Georgia, or anywhere else, and that is the way we are going to do it. We are not unmindful of what is going on in the negotiations. And, of course, any administration has a difficult time making trade negotiations but we are doing the work on the farm bill and we are not about to throw American producers overboard to get an agreement in Geneva or anywhere else.

Wyche.

Senator FOWLER. Thank you for that clear statement, Mr. Chairman, on behalf of us all.

Gentlemen, quickly, Jimmy, does your organization support an increase in quota poundage?

Mr. CURRY. Yes, sir.

Senator FOWLER. That is you, the sheller?

Mr. CURRY. Yes. We have no formal position at this point but we have supported higher than what is there now.

Senator FOWLER. Is the demand for peanut products there?

Mr. CURRY. We think it is.

Senator FOWLER. In your opinion, why do the USDA cooperatives oppose an increase in the quota poundage?

Mr. CURRY. Why do they oppose an increase?

Senator FOWLER. Yes. Any one of you can answer.

Mr. PLOWDEN. Senator, that is a difficult question to answer because the cooperatives sometimes have a different motivation than the rest of the industry and some of that is legitimate I suppose, but they serve sort of a dual role in the sense that they are a cooperative on the one hand—on the left hand—and on the right hand they are an agency of the United States Department of Agriculture. So it is sometimes difficult to know which hat is on when a particular decision is made. I suppose there is some logic to the theory that it would increase the pool profits from additional peanuts if the quota were artificially low. Let us just be ridiculous and say you moved it back to 1,100,000 tons, which is way below demand. Well, obviously those peanuts have to come from somewhere so they would have to be bought back under that somewhat complex procedure creating those kinds of profits in the pool rather than the profits to the quota holder.

Senator FOWLER. How is the current system of marketing peanuts through the quasi-government mechanism, the GFA, how does that work and what can be done, of course, to improve it?

Mr. PLOWDEN. Well, of course, I know you realize, Senator, that I represent commercial shellers and we buy and market the vast majority of the peanuts, both quota and additional, throughout the United States. Sometimes we get in competition with the government cooperatives. I think traditionally in the Southeast, the growers have sold peanuts to commercial handlers and we support that. Anytime a commercial handler buys a peanut, there will be absolutely no chance of loss to the Government. Unfortunately sometimes there is a chance of loss to us but nonetheless we think that is the way that peanuts should move. They should not move to the Government for the Government to market. That should be a market of last resort and not a market of first resort.

Senator FOWLER. Jimmy, how do you feel about that, about GFA?

Mr. CURRY. Well, the way it is set up—I do not want to dispute what Evans is saying but the way it is set up, as he said in the Southeast, most of the peanuts go to commercial shellers through direct sale, and I like it. Any surplus peanuts that I produce over my quota are eligible for loan and they are protected from the seasonal loads that we have at harvest time and they are put in storage and sold as a pool as he stated, and it gives us a profit on our additional peanuts. They are not at the mercy of the market, so I like it.

Senator FOWLER. Wilbur, let us end with you. Tell us how the peanut program compares in effectiveness to the other farm programs you might participate in.

Mr. GAMBLE. Well, first, I do not have to tell you this but the cost to the Government, there is no comparison. When you get to your wheat program, your corn program, and the cotton program in the past, the biggest profits we had, if it was profit at all, came from a deficiency payment because it was almost impossible to make a profit in past years on the commodity itself. That is not the case right now with cotton and wheat but it was in the past. In communities that we live in peanuts have been the backbone of the whole community and the whole farm program. If you did not have peanuts, you probably could not afford to plant soybeans. We would like to plant soybeans but you need to make a profit and it is just almost nonexistent. And in the past, you cannot plant wheat for $3.25 a bushel and make a profit. You have to depend on the deficiency payment and that is the wrong way to go I think.

I believe if you could pattern some other programs after the peanut program you will see a real cost to the Government, you would see a better quality commodity and you would also see the farmer making a profit and doing it on a more regular basis.

Senator FOWLER. Gentlemen, thank you very, very much. Fine testimony.

The CHAIRMAN. Thank you all. [Applause.]

Wyche, just before we call up the next panel, and while they are coming I have a comment to make. Bobby Webster, chairman of the Georgia Cotton Commission; James Lee Adams, chairman of the National Soybean Association; Jimmy Dixon, the president of Georgia Corn Growers Association. Gentlemen, if you would come on over here.

I just could not help but note we have a number of students from the FFA, Future Farmers of America here. When I walked in, I mentioned to my wife, seeing the blue corduroy jackets, the distinctive ones, how much I look forward every year to the time when they come to Washington. It has become a tradition that the chairman of the House and Senate committees speak to them at a big luncheon and it is one of the high points of my year getting a chance to do that and also seeing the ones from Vermont come in. The only thing I feel kind of bad about is sometimes they are there in July and I think those blue corduroy jackets might be a little bit warmer in Washington than they would be here, but it is a nice mark to this country. I mention that to those of you who are parents who might have sons or daughters in the Future Farmers. It is kind of a nice sign for this country to see young people, young men and women who are learning about farming and ready to carry on the agrarian tradition of this Nation.

I also see a number of students. I assume all of you students are here from Mitchell-Baker, is that right?

VOICE. Yes.

The CHAIRMAN. I am delighted to have you here because usually when we have a hearing in Washington, the hearing rooms are so crowded, oftentimes people are lined up all the way down the hall. It's not always because of their great interest in the legislative process and democracy at work but perhaps because of some commercial interest in what might be in a bill. But I have always tried to keep some room available for any students that ever show up. I did not get to Washington to see anything in the Congress until I was about halfway through college.

Senator FOWLER. Forty-three.

The CHAIRMAN. Yeah, 43. I was 18, just finishing my sophomore year in college. I went then. I am glad you can be here and I welcome all the students and welcome you all.

Senator FOWLER. Mr. Chairman, while we take this quick little break, there are several people I would like to introduce. We are always very pleased when State legislators are here and others. Some we said hello to at breakfast and some we did not, but with the audience here, I want to introduce and ask them to stand. The chairman of the Agriculture Committee in the General Assembly in the House, Henry Reaves, whom you all know, there is Representative Henry Reaves. Your own Representative Richard Royal is here, who was at breakfast, there on the back row for some reason, back row Baptist. C.J. Powell, Representative Powell has come in. Welcome.

And also two State Senators, Jimmy Hodge Timmons, and Harold Reagan are here. There is Jimmy Hodge and Senator Reagan.

And two other folks who are vitally involved in the agriculture of our State, Dr. Wayne Jordan, the director of Georgia Extension Service, is here somewhere. He was at breakfast with us, and Ralph Hudgins, the Administrator of Georgia State ASCS. Ralph Hudgins. Thank you all. Welcome. [Applause.]

Mr. Chairman, we welcome Bobby Webster, the chairman of the Georgia Cotton Committee.

STATEMENT OF R.L. "BOBBY" WEBSTER, COTTON FARMER, ON BEHALF OF SOUTHERN COTTON GROWERS, INC., CHAIRMAN, GEORGIA COTTON COMMISSION, WAYNESBORO, GA

Mr. Webster. Mr. Chairman, Mr. Fowler, welcome to the great farm State of Georgia. Senator Fowler, welcome home. On behalf of the Georgia cotton farmer I wish to thank the committee for its work on behalf of agriculture and for the time and effort you have taken in holding these important hearings here in Georgia.

BACKGROUND

Senators, I am R.L. "Bobby" Webster, a cotton farmer from Waynesboro, Burke County, Georgia, and chairman of the Cotton Commission and I am presently serving on the board of directors of Southern Cotton Growers, Inc., on whose behalf I have the privilege of addressing you today.

Southern Cotton Growers, Inc., is the regional cotton producers organization in the Southeast United States representing cotton farmers throughout Alabama, Georgia, North Carolina, South Carolina, Florida, and Virginia.

PASSAGE OF THE DISASTER RELIEF ACT OF 1989—THANKS

Before I address the subject matter of today's hearing, I wish to take this opportunity to thank this committee, the Senate, and the Congress for their passage of the Disaster Relief Act of 1989. Our farmers in South Carolina have suffered the worst disaster in recent history. Hopefully, the Disaster Relief Act will lend some assistance. I also would like to state that farmers are closely attuned to the land and environment and have throughout history practiced sound environmental management. We welcome the opportunity to address this national issue. Any new legislation relative to the environment must be on balance with today's technology and America's agriculture economics.

ENDORSE THE CONTINUATION OF THE FOOD SECURITY ACT OF 1985

Now, to today's subject. Cotton farmers in Georgia and the Southeast, endorse the continuation of the Food Security Act of 1985, with minor adjustment, which provides the Secretary with the necessary tools to assure that we maintain our competitiveness which moves our commodities in foreign and domestic trade and provides our farmers with a fair return on their investments.

CCC LOAN; 8-MONTH EXTENSION

Throughout most of its long history, the CCC loan including the 8-month extension, has provided very useful functions with little cost to the Government. We would like to stress to you that we would like to see the extension of the 8-month loan continued without interest, without carrying charges because it tends to make the farmer a place that he can put his cotton and continue to market it as a uniform to market.

BOLL WEEVIL ERADICATION PROGRAM

The boll weevil eradication program, Senator Fowler and Senator Leahy, has meant a lot to the Southeast. It is a program that is working. It is a program that works between the Government and the farmers and we want to thank you for your support and we know where the effort has come from you on this.

SUPPORT THE COTTON INCORPORATED CHECKOFF BILL

We would also like to mention that we would like for you folks to support the cotton incorporated checkoff bill which will give the farmers a better way to advertise and research their own product and spend money to do so.

I will not go into all of the details here because of the different things, but I would like to say it is a pleasure to come and to speak to you folks here today. I am going to leave the rest of my testimony with your aides and any questions that you have.

Again, let me thank you for coming to the State of Georgia and bringing your wife, sir, to our great State.

[The prepared statement of Mr. Webster appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Bobby.

Senator FOWLER. Thank you, Bobby, very much

Next, we have James Lee Adams, chairman of the National Soybean Association from right here in Camilla.

STATEMENT OF JAMES LEE ADAMS, CHAIRMAN, NATIONAL SOYBEAN ASSOCIATION, CAMILLA, GA

Mr. ADAMS. Thank you very much. We appreciate both of you being here in Camilla and in Georgia.

NEED SOME CHANGES IN THE SOYBEAN PROGRAM

Most of the other fellows have said they do not need any changes. We need some changes in the soybean program. It means a lot to the State of Georgia, it is a $200 million crop. It is the largest single acreage crop in the State of Georgia. A few years ago we had 2.5 million acres of soybeans in the State of Georgia. We are down to about 1.2 million. We had fallen as low as 800,000 acres just a few years ago.

The biggest reason is we have determined that we have lost out, we are being outsubsidized both overseas and at home and we would like some basic changes. For example, the Europeans subsidize their soybeans between $28 and $15 a bushel depending on what country they are in.

The **Chairman**. How much?

Mr. **Adams**. Twenty-eight dollars in Switzerland, and $15 to $17 in the European communities as a whole. We have differential taxes as you are aware of in Argentina and other types of subsidies in Brazil.

While we are having extreme growth in soybean usage and protein usage worldwide of about 4.5 percent a year, we have fallen by 13.5 million acres in the United States as a whole, while South America has gone up 13.5 million acres. This has implications not only for the soybean industry in agriculture but also for the poultry industry and other areas too, since 48 percent of the soybeans grown in the United States in poultry and we are very much aware of that market.

Not long ago, the Japanese told us why we are worried about getting access into those markets, said they would be going into other countries and making sure the feed grains are grown into their country and process and grow poultry and other meats and export them into Japan from most countries and they said furthermore, we anticipate in a few years the type of programs that you all have designed, particularly for the soybean sector, that they will be exporting poultry and other crops of that nature, or meats into our country. And I think from our point of view, what we are hearing from farmers going out into the countryside with the hearings we have had, we think we need a basic change in this particular program on the soybean side.

We are working with the staff on the required basis. We have been working with other commodities——

Senator **Fowler**. Let me interrupt you there. Based on that report on the Japanese, is there anything specifically in the GATT negotiations that we could insist upon?

Mr. **Adams**. I think again we have to have access from our country. We have to make sure we have access on the meat side, the value-added side into that market over in Japan and other areas too. We have a real problem, of course, with the Europeans and you are aware of the dumpings that they are doing too.

Senator **Fowler**. Right.

Mr. **Adams**. I think those are some of the areas that we have to work on if we are going to have any success at all out of GATT negotiations.

Senator **Fowler**. Thank you.

BASIC CHANGES

Mr. **Adams**. So we are looking for some basic changes. The farmers around the country have told us though there were several things they would like to see in this new change. No set-asides, continuation of that. They do not think we need to send signals overseas. However, they do not want the Government to hold any stocks but they would be willing to give up the right to forfeit to the Government the soybeans. They would like some income protection kept in there. They would also like to the see the possibility of not being able to put all of our soybeans under loan. It is somewhat akin to the peanut program in some aspects of that, but there are some significant differences, of course, between soybeans and peanuts but we are trying to pick up some portions of programs when we see that it would be beneficial to soybeans from other crops such as corn for the type of loan we would like to see put in place for soybeans similar to the corn crop.

So we think there are some possibilities out there and it looks good from a budgetary point of view because when you start granting flexibility for the farmers to move, then you do not wind up with subsidies being concentrated in a few crops because when they become heavily subsidized, naturally enough a market price is fairly low in those crops and so you have movement to other crops. So if you put some flexibility in there, there could be some very good budget savings which could accrue to the benefit of all the farmers and all taxpayers too.

[The prepared statement of Mr. Adams appears at the conclusion of the hearing.]

Senator FOWLER. Thank you very, very much, Mr. Adams.

Mr. Jimmy Dixon, president, Georgia Corn Growers Association. Welcome, Mr. Dixon.

STATEMENT OF JIMMY DIXON, PRESIDENT, GEORGIA CORN GROWERS ASSOCIATION, GIRARD, GA

Mr. DIXON. Mr. Chairman, Senator Fowler, I appreciate the invitation to testify before you today. Being a farmer of 34 years, I have never had this opportunity before and it is an honor to have you down here and inviting me to testify.

CORN IS IMPORTANT TO THE STATE OF GEORGIA

I am president of the Georgia Corn Growers Association. Corn is not our most important crop in the State of Georgia. We have other crops that are number 1 and number 2. Maybe corn is not even 3, but it is important to the State of Georgia.

CORN IS BASICALLY A FEED PRODUCT IN GEORGIA

Corn is basically a feed product in Georgia, most of our corn goes for feed, but there are other ways that corn has value. We use corn in this State as a great rotational crop. When we are talking about soybeans and cotton and peanuts, if we put corn in the rotation, it eliminates some of our nematodes, our weeds, some of our diseases, and at some point in time with peanuts and soybeans we get to recoup some of the fertilizer we used in planting corn before. We get a little benefit of carry-over fertilizer.

WE HAVE TO HAVE A PROFIT

All this is good if we have a profit. We have to have a profit. The Georgia Corn Growers Association is dedicated to try to put profit back in corn for farmers in Georgia. One of the ways that we see putting profits back in corn is the continued support for the sugar program. And another way is extension of tax credits on ethanol. Down in Georgia, we feed our corn, and it sounds like we are talking about something we don't know about, but it is adding about 30 cents a bushel to our corn. That is putting some profit back in.

PRESENT FARM PROGRAMS HAVE BEEN VERY SUCCESSFUL PERTAINING TO CORN

To get to the program, Mr. Chairman, that we were asked to talk about, as other people have testified before us, we think that the present farm programs have been very successful pertaining to corn. We have seen an overabundance of corn move down. Of course, we had a drought in the Midwest and that brought it down some more but we were not hurting, we got it down to a workable level. The present program had flexibility built into it that we could use our corn to an advantage, where we could plant our crops such as soybeans or wheat or cotton or whatever, we could kind of move around and give us a little flexibility.

MAINTENANCE ON THE YIELD PROGRAM—REFIGURE OUR YIELD AND GET US DOWN IN GEORGIA COMPARABLE TO THE MIDWEST CORN FARMER

So we—as has been said before, "if it is not broke, do not fix it". But we think you need to maintain it a little bit and do a little maintenance work on it. So in that light, I have submitted written testimony and I just bring up one point that has been brought over and over to us familiar with Georgia Corn Growers and that point is in coming up with the program in the Food Security Act of 1985, we have come up with program yield. Program yield in corn in Georgia is probably about 50 percent of what the farmers are actually making.

Now, if a farmer can make 150 bushels of corn in Georgia and have a program yield of 50 to 60 bushels, he has to justify that when he goes to borrow money or whatever when he sits down to figure out his cropping program for the year. We would like to see—as Georgia Corn Growers, we would like to see in the new bill to go back and refigure our yield and get us down in Georgia comparable to the Midwest corn farmer. From all I can gather up there, they are from 10 to 15 percent less than—their program yield is 10 to 15 percent less than what they are actually making. Ours is probably 50 percent. We would like to see the yields be equitable, hopefully if everything works right, we will not have deficiency payments. We would like to see the yields right so if we have one of those years we need deficiency payments, they would come about.

I appreciate you inviting me here. It is an honor to have you in Georgia and I will try to answer any question.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Dixon appears at the conclusion of the hearing.]

Senator FOWLER. Thank you very much.

The CHAIRMAN. Thank you all.

Mr. Webster, I paid a great deal of attention to what you had to say and there are a whole lot of things that you covered that are extremely important in your testimony.

There is one item that appealed to me a great deal on farm credit. You talk about Farmers Home implementing programs to help qualified young people to begin farming; I was glad to see that. I have been hearing more and more agricultural leaders talk about the problems of getting young people into farming. I worry when I see—I have been holding hearings for 15 years on this committee and several years as chairman—and I keep seeing the age of the people testifying keeping pace with me all the time. I want to see more young people. I want to see farm legislation and a farm economy that allows the producers to say to their son or daughter: go into farming, it is worthwhile. But we also have to make sure we have a program. We know the costs of changing to any different kind of commodity rate; we have to work those in. I am glad you mentioned that.

James Lee, I made a note here immediately when you mentioned the possibility of poultry and other products being imported into the United States. Personally, I feel that would be a tragedy. I do not think you disagree with that a bit, but I will tell you that this country is blessed more than any other country in the world in its ability to produce food. Here we are, almost 250 million Americans, the only major power in the whole world able to feed its own people and have food left over to be used for export, for foreign policy reasons, or whatever. If we get ourselves in a position where we have to start importing basic commodities, basic foods, meat, grains, or anything else, we have done something really wrong and we have not been good shepherds of the blessings we have in this country.

Mr. **Adams**. Senator, this past year we had to import 300 thousand tons of soybean oil as you know from overseas, and we are just afraid this is just a start of what we see coming in.

The **Chairman**. Well, I think that would be a tragedy, I really do. I think it is something that the next generation should never forgive us for if we let that happen. I really do not want to see us get in that kind of a situation. It is vital to our national security too. Not only being good stewards of the land and the climate and everything else we have in this country, it is part of our national security. One of the reasons we remain a major power is that we are secure in the knowledge that we can always feed ourselves. No foreign power could ever starve out the United States. If we give that away, well, then we give up part of our security. So keep pounding that point and keep reminding people of that.

Mr. Dixon, I took to heart your point that you do not want us to ignore the maintenance. You may find that line periodically in some of my speeches from now on. I will try to remember and give you credit, but if I slip and do not somewhere, please forgive me for it.

Mr. **Dixon**. Feel free.

Senator **Fowler**. Mr. Chairman, thank you.

I want to say first of all to Bobby Webster, I appreciate very much his comments about the boll weevil eradication program, the fact that it is working and working well, and commend him especially for his leadership in the program which we all believe, who worked hard to implement it, that it will lower production costs for the farmers as well as making great strides in the environmentally sensitive areas of concerns to cotton farmers and to consumers.

And also, I want to commend James Lee while we are here for his past year of service as president of the American Soybean Association. Mr. Chairman, as you know, he has been a very strong advocate of the checkoff program, expanding exports and also he has been very helpful to us on addressing the environmental issues in the right way, the voluntary way, to help us do a better job. I thank him as a Georgian for that leadership in the national organization.

Mr. ADAMS. Thank you.

Senator FOWLER. James Lee, let me ask you this, a couple of quick questions for each of you. What is your prediction for the increases and decreases in the southern planting this year?

Mr. ADAMS. This year coming up?

Senator FOWLER. Yes, sir.

Mr. ADAMS. I would imagine we would be back down slightly maybe 4 or 5 percent in the soybean area.

The CHAIRMAN. Four to five percent.

Senator FOWLER. And you are still interested in a marketing loan program?

Mr. ADAMS. We are not maybe calling it that, Senator, but——

Senator FOWLER. What are we supposed to call it?

Mr. ADAMS. Guaranteed equity loan.

Senator FOWLER. If we were to have a guaranteed equity loan, would the rate have to be set at $6 a bushel?

Mr. ADAMS. $6, $6.25 in proportion to the corn loan and cotton loan. We have been talking to both of those groups on an informal basis and we are working very closely with some other groups too, but we may not necessarily, as I alluded to earlier, want the entire production being eligible for a loan because we realize there are some budget exposures that we have to take into consideration.

Senator FOWLER. I appreciate that. Mr. Dixon, I thank you.

I learn something, as always, from all of the testimony but your pointing out the differences—I was going to ask you about that between the needs of southern corn growers and those in the Midwest and I thank you for that testimony and the elaboration in your written testimony.

Let me ask you this, in Georgia is the current program effective as far as getting Georgia growers to plant corn?

Mr. DIXON. Yes, sir, I think so. Like I said, the present program gives a lot of flexibility. With 0/92 in it, they have that flexibility to go up and down but I think that basically if maybe we could get some of these yields up in the next program, you would see a little increase maybe. We need to plant all we can in Georgia because we feed it all down here. We bring in corn from somewhere else to feed this poultry that we are talking about. We need to increase the acreage. Like I said in the testimony, just for rotational purposes. I don't think anyone can say the value of rotation—using corn in rotation, but I think James Lee and Bobby will attest to the fact that you increase your soybean yields, you increase your cotton, and we all know peanuts has increased and we do a better job if we can do that, if we can plant more corn. If it is not profitable, we cannot plant it.

Senator FOWLER. All right, thank you.

Mr. WEBSTER. Senator Fowler.

Senator FOWLER. Yes, Bobby.

Mr. WEBSTER. I think in cotton that we will see maybe even as much as 20 percent increase in 1990 in cotton production and maybe more than that in the State. Probably can get forward contracts on cotton that would be a profit to the cotton farmers and we may have some of them planting out of the program in 1990. We are looking for a considerable increase in cotton acreage in 1990 in Georgia.

Senator FOWLER. Well, expand on that just a little bit, Bobby. Can the current cotton program be described as market oriented?

Mr. WEBSTER. Certainly it can.

Senator FOWLER. Tell us a little bit about over a long period how the Government—will the Government cost of the program be minimal?

Mr. WEBSTER. It has brought the cotton production in line and has increased the market price more, so that the deficiency payment will not be there in 1989 and possibly 1990, because of the profitability in the cotton market so it certainly worked. We are going to come up with probably one of the best years we have had in a long time due to some disasters in different sections of the country. But the cotton carry over in 1990, August, will be 3.3 million acres predicted—3.3 million bales predicted and that is certainly the lowest carry over, and we have most of the cotton in the world to sell, so it certainly has worked. So we do not want to fix it because we think it is not broke.

The CHAIRMAN. And that profitability will continue even with the expansion you are talking about next year?

Mr. WEBSTER. Yes, sir, if the cotton farmer can forward contract some of his cotton, since the market is in a way now that it can, it certainly will help the cotton producers.

The CHAIRMAN. Gentlemen, thank you very much. I thought what we might do is give everybody a chance to stretch their legs a little bit. To keep it right on schedule, let's take about a 5 or 6 minute break at this point.

[Recess.]

The CHAIRMAN. Welcome back. I assume by now the sun is shining outside. We started off in the dark this morning to travel down here, a little after 6, and Senator Fowler was pointing out all the sights and scenes to me. I am anxious when the hearing is over to drive back over there and see what it was he was pointing out to me. When he comes to Vermont, I point out our ski areas to him. So far, he has not pointed out a single ski area to me.

Senator FOWLER. You can ski through those pecan groves if you want to.

The CHAIRMAN. We could see a couple of those.

Our next panel is Donald Childs, second vice-president of Georgia Farm Bureau Federation; Ralph Paige, executive director, Federation of Southern Cooperatives; and Frank Pidcock, president, Georgia Warehouse Association, Inc. Mr. Childs, Mr. Paige, and Mr. Pidcock welcome.

Senator FOWLER. We will go in that order, that will be fine.

STATEMENT OF DONALD CHILDS, SECOND VICE-PRESIDENT, GEORGIA FARM BUREAU FEDERATION, MACON, GA

Mr. CHILDS. Thank you very much, sir. It is good to be with you again this morning.

BACKGROUND

Mr. Chairman and Senator Fowler, my name is Donald Childs. I am the second vice-president of the Georgia Farm Bureau Federation. Our general farming operation, in Jackson County, Georgia, consists of beef cattle, grain, hay, soybeans and grain sorghum. On behalf of my organization, let me thank you for taking the time to come to southwest Georgia, the heart of the intensive row crop growing region of our State, to gather information on the 1990 farm bill. Certainly, drafting legislation of this magnitude is an enormous task, and we are grateful for the amount of time and the effort you gentlemen devote to accumulating and examining as many facts as possible.

POLICY DEVELOPMENT PROCESS

Through our policy development process, all farmer-members have an opportunity to express their concerns and needs. We start with recommendations from the county Farm Bureau members and county advisory committees. A representative statewide committee composed of county presidents and commodity committee chairmen review and make recommendations for the delegates at our annual convention. During the whole process, only farmer-members participate in the decisionmaking process.

FARM BUREAU CONTINUES TO SUPPORT THE 1985 FARM BILL

The Farm Bureau continues to support the Food Security Act of 1985. In the 4th year of this 5-year bill, the major purposes of this legislation, namely: first, improving farm income, second, reducing stocks, third, regaining market share, and fourth, reducing budget expenditures have been largely attained. Through the scheduled decline in farm price support loan rates, the use of marketing loans and export enhancement programs, U.S. commodities have become more competitive in the world environment and have regained a larger share of the world export market. Our present mission is to take the current agricultural situation and farm programs and mold them so that agriculture can be prosperous into the next decade. We must continue to be mindful that there are many factors that affect farm income that are beyond your control, as Members of Congress. The next farm bill must be flexible enough to deal with a nebulous future.

FARM BUREAU MEMBERS ADOPTED THE FOLLOWING POLICY ON BASIC GOALS AND OBJECTIVES OF THE NEXT FARM BILL

Our Farm Bureau members adopted the following policy on basic goals and objectives of the next farm bill:

Improving net farm income and enhancing the economic opportunity for farmers are Farm Bureau's most important goals; we favor a market-oriented agriculture with supply and demand, rather than Government action, ultimately determining production and prices; subsequent to the Food Security Act of 1985, a consistent market-oriented farm program should be pursued that would: first, rely less on Government and more on the market; second, allow farmers to take maximum advantage of market opportunities at home and abroad without Government interference; third, encourage production decisions based on market demand; fourth, provide income support at a level that would not interfere with opportunity for income from the market; fifth, encourage needed adjustments in resource use; sixth, minimize or eliminate the impact on nonprogram commodities; seventh, provide for minimal government stocks; and eighth, be consistent with and complementary to international economic and foreign relations policies.

FIRST FOUR POINTS THAT I HAVE MADE ARE SELF-EXPLANATORY

The first four points that I have made are self-explanatory. All farm programs have to be consistent with that need to produce and sell to a consumer market.

THE FIFTH POINT ENCOURAGES NEEDED ADJUSTMENTS IN RESOURCE USE

The fifth point encourages needed adjustments in resource use. Agriculture is constantly changing based on market demands and changing production technologies. Again, the word "flexibility" arises. Farm programs must be flexible enough to allow production agriculture to respond to changes as consumers worldwide make their voices heard in the marketplace. As part of the needed adjustments, we have supported allowing a 10 percent shift between base acres of program crops and initiatives for the updating and proving of program yields.

PRODUCERS OF OUR NONPROGRAM COMMODITIES WANT A GREATER VOICE IN DETERMINATION OF FARM PROGRAMS

As I mentioned earlier, Farm Bureau has the privilege and challenge of representing producers from all commodities. Producers of our nonprogram commodities want a greater voice in determination of farm programs. It is evident that the markets for commodities produced without Government price and income support programs are affected by farm program policies. Certain proposals to adjust farm programs would substantially increase the extent of those impacts. This is particularly important when issues like increased planting flexibility and shifting production patterns to meet environmental requirements are addressed. We must make sure that one group does not benefit at the expense of others.

THE 1990 FARM BILL SHOULD CONTINUE IN THE DIRECTION OF THE 1985 LAW WITH A FOCUS ON PRODUCING THE COMMODITIES IN DEMAND AND SELLING THOSE COMMODITIES IN AN ORDERLY MARKETING MANNER

Stocks of most farm program commodities have been greatly reduced. While the drought of 1988, and in some parts a continuing drought for 1989, also helped reduce stocks of some commodities, it should be noted that the stock reduction was already trending downward before these droughts. The 1990 farm bill should continue in the direction of the 1985 law with a focus on producing the commodities in demand and selling those commodities in an orderly marketing manner, rather than producing for loan prices and storage payments and, thus, burdensome carryover building up supplies.

INTERNATIONAL POLICY

The final point in our future farm program policy deals with international policy. Trade provisions in the new farm bill will have a tremendous impact on Georgia agriculture. We support programs, such as the Export Enhancement Program, which help to increase agricultural exports. Several Georgia commodities are dependent upon section 22 and we support the continuation of this provision in the new law. Certainly Senator Leahy, we appreciate your comments earlier today on section 22. We do realize that the current GATT negotiations are still underway and probably will not be completed before the farm bill is written. While Farm Bureau has been supportive of the U.S. efforts in these negotiations, we will oppose any proposed provisions which would require the United States to take unilateral action to eliminate existing policies.

We talked quite a bit this morning. I think the committee adequately covered peanuts, it is an important part of our program and we had some comments that are in our prepared testimony, Senator, and I will skip that part for the sake of time.

FEDERAL BUDGET AND ENVIRONMENTAL ISSUES

I would like to briefly mention two other issues which affect farm programs. These are the Federal budget and environmental issues.

Projections for future years put outlays at about $10 to $12 billion per year. While we understand that the budget is an issue in farm programs, we ask you to not let it be the driving force in farm policy.

The environmental issues are considerably more complex. Farm Bureau's first concern is with the opportunity to produce. We also have a true concern for our environment. The 1985 law went a long way toward protecting our natural resources. We ask for your assistance in ensuring that the environmental portions of the new farm bill are not so restrictive that farmers lose the opportunity to use the resources that they control.

OUR POLICY RECOMMENDS THAT CROP INSURANCE NOT BE REQUIRED FOR ELIGIBILITY TO PARTICIPATE IN FEDERAL FARM PROGRAMS OR DROUGHT RELIEF PROGRAMS

Finally, I want to mention the Federal Crop Insurance Program. Our policy recommends that crop insurance not be required for eligibility to participate in Federal farm programs or drought relief programs. In addition, our policy calls for the FCIC to use the ASCS yield as the county average yield rather than the present "T" factor. The bottom line on the Federal Crop Insurance Program is that it is simply not affordable at the present time for most farmers. The present premiums compared to the possible benefits do not make crop insurance a good nor practical business decision. I would like to commend Congress on the creation of the Federal Crop Insurance Commission. Hopefully, the recommendations of this group will be incorporated into the new farm bill.

Senator FOWLER. What if that includes the crop insurance?

Mr. CHILDS. Sir?

Senator **Fowler**. What if those recommendations includes the continuation of the current crop insurance, you would oppose that part of it?

Mr. **Childs**. Well, Senator Fowler, it would need to have some changes before we, as farmers, all over the State of Georgia could support it. You know I live in north Georgia and you are insuring a loss if you participate in Federal Crop Insurance with the yields that we have available to us.

Senator **Fowler**. Thank you.

CONCLUSION

Mr. **Childs**. In conclusion, I would be remiss if I did not compliment Senator Fowler for the tremendous help that he has been to us in serving on the Agriculture Committee. Agriculture is still Georgia's largest industry and the importance of us having Senator Fowler on this powerful Ag Committee cannot be overstated.

Again, thank you very much, Senator Fowler, Senator Leahy, and Mrs. Leahy for coming to Georgia and I would like for you to know that Georgia Farm Bureau stands ready and willing to assist you in the development of an aggressive sound farm bill. Thank you, sir.

[The prepared statement of Mr. Childs appears at the conclusion of the hearing.]

Senator **Fowler**. Thank you.

The **Chairman**. Mr. Paige.

STATEMENT OF RALPH PAIGE, EXECUTIVE DIRECTOR, FEDERATION OF SOUTHERN COOPERATIVES/LAND ASSISTANCE FUND [LAF], ATLANTA, GA

Mr. **Paige**. I am Ralph Paige, executive director, Federation of Southern Cooperatives/Land Assistance Fund. I would like to thank Senator Leahy and Senator Fowler for coming and holding this hearing on the 1990 farm bill. I welcome Senator Leahy to Georgia and hope you have a real fine stay and enjoy this warm, good hospitality here in Georgia.

FEDERATION OF SOUTHERN COOPERATIVES

The Federation of Southern Cooperatives works with over 25,000 low-income families, organized into self-help community based groups across the South.

About half of the Federation of Southern Cooperatives membership are primarily black farm families owning an average of under 100 acres of land each. The remainder of our membership are low income rural residents who are generally employed in low wage or seasonal jobs in small towns and rural communities.

FEDERATION OF SOUTHERN COOPERATIVES HAS WORKED AT THE GRASSROOTS LEVEL IN RURAL COMMUNITIES AROUND THE SOUTH

For more than two decades, since 1967, the Federation of Southern Cooperatives has worked at the grassroots level in rural communities around the South. Through community based economic efforts, the Federation and its member cooperatives and credit unions have worked to generate new income, jobs, services, training, awareness and a spirit of self-help and change for many low income and economically exploited people in some of the most depressed and persistently poverty-stricken rural communities in America.

AREA OF CONCERN—SURVIVAL OF THE BLACK FARMER

I have submitted our prepared statement for the record. I would like for the remaining period to address one of the areas of most concern to our organization, the survival of the black farmer.

In 1910, there were over 1 million black farmers owning 15 million acres of land, while in 1980, there were less than 100,000 black farmers owning less than 7 million acres of land.

Black farmers are sill losing land at an astounding rate of 1,000 acres per day or 350,000 acres per year. Currently, according to the most recent numbers that are available, there are only 35,000 black farmers remaining in America with less than 4 million acres of land.

In the face of these grave and continuing problems, the Federation/LAF has been effective in finding self-help solutions to these problems. With limited resources and support, the Federation has fashioned some creative responses to these difficult problems of rural community development.

SUCCESSFUL EFFORTS OF THE FEDERATION/LAF

Among the successful efforts of the Federation/LAF over the past few years have been:

Assisting over 1,000 family farmers to apply for FmHA loan restructuring under the new programs of the 1987 Agricultural Credit Act.

Assisting many family farmers and other rural people to organize and sustain cooperatives and credit unions as a means to work collectively to purchase, market, and share farming resources; existing cooperatives were aided and new cooperatives were established.

Developed marketing outlets for farmers to market their produce directly to consumers in New Orleans, Memphis, Birmingham, Atlanta, Philadelphia, and Chicago, through inner city markets.

FEDERATION/LAF RECOMMENDS THESE PROVISIONS

The Federation/LAF recommends that any comprehensive rural community economic development legislation enacted by Congress contain the following provisions:

First, legislation for a "Minority/Disadvantaged Farmers Rights Act" to protect the landholdings of black and other minority farmers across the Nation. The Federation/LAF has developed a draft of this legislation which recognizes the importance and benefit to the Nation of racial and ethnic diversity in the ownership of farmland. A major goal of this legislation is to maintain, increase, and perpetuate this diversity and pluralism in ownership of farmlands. We are urging Congress to consider adding these provisions as a title of the 1990 farm bill or incorporating them into your rural development legislation. A copy of the details of this legislative proposal is available from the Federation.

Second, support for a massive outreach and education effort to reach and serve minority limited resource and family sized farmers with information to assist them to remain in farming and help develop rural communities.

The Federation and some of the 1890 historically black land-grant colleges have shared in an FmHA/USDA initiative called the "Small Farms Technical Assistance Project." This $1 million per year effort needs to be increased to at least $5 million annually, with funding for the 1890 historically black land-grant colleges but also community-based groups, like the Federation/LAF, who are in direct contact with minority and limited resource family farmers.

In Georgia, the Federation of Southern Cooperatives has a $100,000 grant from the USDA for a "Small Farms Technical Assistance Project" to provide hands-on help to over 600 farm families including organizing three new cooperatives.

We also ask and encourage more loan and equity investment funds, at reasonable interest rates, are needed to support cooperative and community development projects, especially for community based projects in short supply in rural depressed communities. Make more loan funds available to buy and hold land for family-sized farmers, farm community development credit unions and other financial institutions that are needed to assist in financing community self-help projects to improve the lives and livelihoods of rural people and communities.

Also to provide for set-asides in any rural development legislation creating special rural development loan funds to serve low income, minority-owned and community based projects. Since community based projects are the most difficult to finance, but often pay the largest dividend.

[The prepared statement of Mr. Paige appears at the conclusion of the hearing.]

Senator FOWLER. Thank you Mr. Paige very much.

Frank Pidcock representing the tobacco warehousemen.

STATEMENT OF FRANK R. PIDCOCK III, PRESIDENT, GEORGIA WAREHOUSE ASSOCIATION, INC., MOULTRIE, GA

REPORT ON THE TOBACCO SITUATION

Mr. PIDCOCK. Mr. Chairman, thank you very much. I have been asked to appear to give a report on the tobacco situation as it applies to the tobacco farming interests in Georgia and I greatly appreciate the opportunity. The good news is the tobacco program is working at the present time.

A FEW YEARS AGO THE TOBACCO PROGRAM WAS IN SERIOUS TROUBLE

As I am certain you are aware only a few years ago the tobacco program was in serious trouble. It became necessary to develop a program that would present no cost to the Federal Government, that would return our tobacco support price system to a level that would make our product competitive in the world markets and to guarantee tobacco producers protection from a collapse in the price structure.

NO NET COST TOBACCO PROGRAM WAS INSTITUTED IN 1985

The No Net Cost Tobacco Program was instituted in 1985 and has worked very well since that time. Both the producer and the purchaser pays in a nominal fee per pound to the "No Net Cost Program" and the tobacco warehousemen collect these fees and forward them to the Stabilization Corporation. An additional fee is also imposed on producer and purchaser to protect the tobacco support system from any reduction due to the implementation of Gramm-Rudmann.

At the time of the implementation of this new program the four major domestic manufacturers of cigarettes agreed to a buyout program of the old stock tobaccos stored by the Stabilization Corporation. That 8-year buyout plan is well ahead of schedule and only 103,886,000 pounds remain of the original inventory. At the end of 1984 there were 812 million pounds of tobacco in the inventories of the Stabilization Corporation.

FORMULA FOR DETERMINING THE QUOTA FOR THE COMING YEAR WAS CHANGED AND THE PURCHASERS OF TOBACCO ASSUMED A MAJOR PART IN DETERMINING WHAT THE QUOTA WOULD BE

The formula for determining the quota for the coming year was changed and the purchasers of tobacco assumed a major part in determining what the quota would be. These purchasers announce in advance what their purchase intentions will be and these figures plus a 3-year average of exports and the reserve figure for Stabilization's stocks then determine the quota. This plan has worked *up to the present*, and I emphasize up to the present.

DEMAND AND THE PRICE PAID FOR TOBACCO

The demand and the price paid for tobacco over the last 3 weeks is considerably short of what it was for the 1989 crop up until that time. I understand, and all of us in the tobacco business understand, that tobacco is a commodity like any other and that prices will fluctuate, but the situation this year has been a little too drastic.

PRICES

In 1986 the tobacco farmer averaged $1.53 per hundred—per pound with a top practical price of $1.80 per pound. In 1987 the average was almost $158.75 and the top practical price remained within 1 cent of the year before. In 1988 the average was $161.37 with a practical top of $1.81. In 1989 it appears the practical top will be $1.84 and the average price will be in the $1.65 to $1.66 range. This certainly shows that the tobacco producer has in no manner of means seen his product keep pace with inflation.

It is considered a general rule of thumb that it takes 1 pound tobacco to produce 1,000 cigarettes. Of course, this is a pound of redried finished tobacco. Even at a cost of $3.50 for a redried pound of tobacco ready to be put into cigarettes you are only talking about 70 cents per carton of 200 cigarettes. Manufacturers of cigarettes have raised their wholesale prices on cigarettes substantially in the years since 1985. It appears that the American tobacco farmer is not quite sharing fairly with others in the marketplace.

Those of us in the tobacco business know that we are competing in the world market and we intend to preserve our share and hopefully see it grow larger of that world market. Domestic manufacturers of cigarettes should, however, give careful consideration to the needs and the well-being of the American tobacco farmer.

REGARDING THE 1990 FARM BILL

Regarding the 1990 farm bill; the tobacco farmers are asking for no hand out, we do not want any money given to us, we simply want a deal as we have had in the past. Those of us in tobacco feel that the tobacco program should be maintained as an individual piece of legislation as it has been in the past and not included in the general farm bill. There is no tobacco subsidy. The only cost of the program to the Federal Government is the administrative cost of the USDA/ASCS. Under the present program the producer even pays for the expense of the grading of his tobacco by USDA/AMS. The program has been an enormous success seeing Stabilization inventories shrink from over 800 million pounds to less than 200 million in a 5-year period.

While the cost of tobacco production has greatly increased and the price has not kept pace with the increase we still have a much better and more sound program than we had before. The old program was leading all of us to certain disaster.

NO NET COST TOBACCO PROGRAM IS THE MOST SATISFACTORY WAY TO MAINTAIN A PROGRAM THAT WORKS

Producers, warehousemen, leaf export dealers, and domestic manufacturers along with the Flue-Cured Stabilization Corporation, the various farm and trade organizations and the Federal agencies dealing with tobacco all worked together and brought the new program through Congress and we enjoy it today and want to see it continued as the outstanding example—the true outstanding example—of what a farm program can be—a program that works and works at no cost to the Federal Government. No one can point a finger at tobacco and say to the Congress "look how you subsidize the evil weed!" We are proud to be in the tobacco business and we want to remain in it and we feel that having the No Net Cost Tobacco Program as an individual piece of legislation is the most satisfactory way to maintain that program.

IN SHORT, WE IN TOBACCO FEEL THAT OUR POSITION IS THAT WHAT WE HAVE WORKS, IS WORKING VERY WELL

In short, we in tobacco feel that our position is that what we have works, is working very well. It does not require 1 cent of money from the U.S. Congress to support the tobacco program with the exception of whatever is paid for the administration of the program and I believe that is something like $7 million a year.

We appreciate both of you considering tobacco and we do want to urge that as far as tobacco is concerned, we feel that it is a unique program. We would like to see it maintained as an individual piece of legislation and not in the farm bill.

The CHAIRMAN. Thank you, gentlemen.

I want to go right back to Mr. Childs. You said you would hope that the budget would not be the driving force in the farm bill. Unfortunately, the budget is going to have far more effect on the farm bill than it ever has in the past. We are now paying the price of 8 years or so of rather prolific spending. Each year for 8 or 9 years now, the President has submitted budgets with greater and greater and greater deficits. Usually adjoining the budget with a speech in favor of a balanced budget. I have not seen one submitted by a President for 8 or 9 years and I do not think we are going to this year. Unfortunately one of the reasons why we have been in session to 1, 2 and 3 o'clock every morning in recent weeks is that we have been trying to find some way to be sure that the money is in the budget and to make sure we work out programs that make sense. I would like to see the programs based on policy more than on budget. Unfortunately, they are going to be based more on budget sometimes than policy and when you are dealing with agriculture, you are dealing with things that should be decided over a 5 year, 10 year, or 15-year period.

I would also say that in this bill environmental issues will be important and I would hope to work with all the different commodity groups in trying to go toward that. I am hearing more and more from people in agriculture that they share the same kind of concerns of environment as everybody else. After all, the families of most farmers and ranchers are the ones being affected most by it. There will be environmental issues in the bill but they will be realistic ones and they will be ones that will work with the interests.

I mention this because, as Senator Fowler and others have pointed out so well, there is a growing concern among the consumers in this country about environmental considerations. From a marketing point of view that is something that is good for health and we should also keep it in mind.

Mr. Paige, I noted two things. One, in your statement—it is underlined on page 2—you say "black farmers are still losing land at an astounding rate of 1,000 acres per day or 350,000 acres per year." A figure like that just cannot be ignored. Obviously, some people are going to decide to go into other lines of work, that is a natural thing. But I assume that you are saying this goes way beyond any kind of natural evolution, you see a very serious problem with that, is that correct?

Mr. PAIGE. Yes, it is a very serious problem. Most of the farmers who do lose land move into inner cities and they still have another problem of being undertrained and not ready for the job market. So we still have a problem, so we think it is better to address it in the communities but it is more than that to the black community. This represents a loss of land as well as loss of a tax base and being able to stay there and enjoy that. It is a way of life. They do not have any means or families to take over and continue that way of life.

The CHAIRMAN. I know you also mentioned the rural development legislation. It has passed the Senate and now the House is working on it. Ideally, I would like to have both the House and the Senate committee conference sometime before we recess at Christmas time this year to do that. I think you are absolutely right in saying that is something we have to look at in rural development legislation. It goes beyond just a farm issue. It is a question of what is available in rural areas for jobs and economic development, and so forth. Those in urban areas ought to be very interested in what we do in rural America. You put your finger on it by saying if the opportunities are not there in rural America, oftentimes the people then go to urban America. As a product of rural America, I want people to leave rural America only by choice, not by necessity, and so I appreciate your testimony and your statement that we ought to pay attention to rural development legislation. It is a very good one. I want to assure you we will.

Mr. Pidcock, in your testimony you said the price paid for the tobacco over the last 3 weeks is considerably short of what it was. Why this 3 weeks? I mean, is this a particular time of selling or is it just the way the market has gone?

Mr. PIDCOCK. Apparently, it is just the way the market has gone. The disappointment in the price structure and, of course, there is no way to address that in the farm legislation, but we were under the impression that by producing the crop that was called for the total crop would be in demand, and it is being in demand, it is not an enormous amount that is going to Stabilization, but a price structure that we had enjoyed, continuing to enjoy in the Georgia/Florida markets and on through Virginia and a strong market all of a sudden deteriorates, not any tremendous amount but we will say a dime a pound. Well, that represents about $230 per acre of tobacco so you are getting into what profit there is when that happens. I state that merely as something that happened this year that we are very disappointed in but I think it is a point that will have to be taken into consideration if it continues the rest of this season that way and then the companies announce that they would like a further increase in quota. I think it will become a very important item in that.

The CHAIRMAN. You also speak of the "No Net Cost Tobacco Program" and you say that you want that as an individual piece of legislation as a more satisfactory way to maintain that program. You mean have it incorporated in the new farm bill or not have it?

Mr. PIDCOCK. No, sir, have it as it is now completely separate from the farm bill.

The CHAIRMAN. Completely separate.

Mr. PIDCOCK. As it is now.

The CHAIRMAN. I wanted to make sure I fully understood that. Thank you.

Senator FOWLER. Mr. Paige, is there any—have you got any figures, what is the evidence since we have passed the 1987 Farm Credit Act, has the decline in minority farmers slowed down, the loss of minority farmers slowed down since we passed the Farm Credit Act last year?

Mr. PAIGE. We do not have any recent figures but we still know it is about 35,000 farmers remaining but I do know one part of the Agricultural Credit Act of 1987 was the farm ownership outreach program to socially disadvantaged individuals [title VI—Farmers Home Administration Loans, section 623]. I understand that $11 million that was placed in that, most of it was spent and that did help some new farmers to come in but it was just small—something of a very small piece compared to the total need of it.

Senator FOWLER. I understand but it did have—it did have a positive effect?

Mr. PAIGE. Yes.

Senator FOWLER. Minimal though as it might be in the overall picture.

Mr. PAIGE. Yes. In our office——

Senator FOWLER. In your opinion as we go into the 1990 bill what one single thing could we do in the 1990 farm bill coming up that would most help the problem?

Mr. PAIGE. We would like to see a minority farm legislation included in that bill to include three main things:

First, targeted participation, setting aside part of the resources for minorities in a county, based on the total percentage of minority population to receive the benefits of the FmHA/USDA benefits just as we did with the socially disadvantaged loan program which has worked. This would allow existing farmers to stay in farming. It would allow young kids and new farmers to come in because the resources would be there.

Second, in addition to that, we would like to see an outreach program funded to the tune of $5 million with no new budget. I do not think it will take new budget money to do that, just transfer some money from other programs for an outreach program that would help.

Senator FOWLER. You do not want to tell us which program to transfer it out of?

Mr. PAIGE. I am not sure. I think you would have to——

Senator FOWLER. You will leave that to us.

Mr. PAIGE. I would ask you to do that but we would need something like that for the black colleges to work with it. We have a program in south Georgia where we worked with—targeted 40 farmers who were going out of business and just by helping those 40 farmers, each one of them this year has increased substantially in their efforts to cash-flow and still farm. We think we will be able to turn them around completely in a year or so. But having those type of hands-on resources would be very important in making it work.

Third, another no cost part of this would be a register set up where minority farmers could register and we could keep track and make sure that they stay on track and can get some of this help and get information to them, what would be most interesting. We figure none of these would be a tremendous cost to the Government, a tax burden. It would just be a matter of making sure that these things happen.

Senator FOWLER. Thank you, Mr. Paige, and also thank you for working with me and my staff on the development of a possible minority bill of rights.

Mr. PAIGE. Well, we would like to thank you for doing that, taking that leadership along with other people. Without that, we would not be able to have it as far along as we have it now and, of course, showing the interest and the value of all family farmers and, of course, the value—the historic value of minority farmers is very important to us.

Senator FOWLER. Thank you, Mr. Paige.

Don, you mentioned the market oriented concept several times in your statement. Would you—how do you relate this, how do you relate that concept to Georgia commodities?

Mr. CHILDS. Well, I relate it, Senator Fowler, as being responsive and flexible to the market demands. You know I think we need to be able to shift from producing one crop to another crop when the market demand is there. And I think this goes along a little bit with Senator Leahy's comment about there is only so much money in the budget. You know we really feel that—and I have been in farming for several generations—we feel, and I think most farmers feel they had rather produce for a market than to produce for the United States Government.

I think in being flexible and shifting soybeans to wheat or to oats and corn to soybeans and whatnot when the market demands it, you know when it will pay for it, it is just a prudent decision. You know a farmer should be allowed to do this without being penalized for not planting a certain crop when the market does not particularly need it.

Senator FOWLER. This may be a good time to second—you raised the question of what you described as the environmental issues of the farm bill. The chairman gave a fine reaction. As a representative of the Farm Bureau and all the other farmers here, we read about this in the newspapers a lot. I want to say that Chairman Leahy has worked with me very closely to try to bring all of us together to head off some who would come in and absolutely mandate the strictest controls, dictate how farming was going to be done, including the denial in some cases any—would be denial of any and all pesticides and herbicides and fertilizer.

Our approach will be in the 1990 farm bill to protect base acreage, to protect crop payments, to ensure that the farmer who is willing to try alternative methods to plant his crops using different kinds of techniques and pesticides as we have seen the success in the boll weevil program, will not be risking any part of his program guarantees or allotments to see whether he can maintain a profit and get the yield by experimenting, voluntarily experimenting with less chemicals.

I want to say as one who is privileged to be one of your two United States Senators in Washington, this business has not come from Washington like so many things. It has come out of all of our town meetings, and meetings like this, where very responsible people in our communities in Georgia and Vermont, and throughout the country have come up and asked us, why cannot we guarantee that the food we eat and the water we drink and the air we breathe are as free from contaminants as possible? We have seen throughout the country more and more farmers coming forward and saying, you know, I know I want to experiment because I know I think I can do a little better and maybe help with the ground water situation and still have the best food, but thank you for helping us try. And that is going to be the approach we are taking in the conservation section of the farm bill and we certainly elicit from the audience, all the farmers here, your suggestions. Suggestions as we get into this, if you will write me or call me, I am very, very anxious to have as much input from Georgians, people who are actually farming, as I possibly can, in order to make the right kind of case when we get into this legislation.

Frank, as you know several of us have been very active in trying to develop tobacco markets in South Korea and Thailand, other places with very strict competition. Do you feel this is our greatest opportunity for maintaining tobacco markets, certainly at minimal costs to American taxpayers?

Mr. **PIDCOCK**. I think basically what you have done is you are directly responsible for the increase in the allotment. The increase in the allotments that we have enjoyed the last 2 years certainly are not due to domestic consumption and the minimal amount that is spent on the Export Enhancement Program under——

Senator **FOWLER**. Right.

Mr. **PIDCOCK**. And then the two—the 301 or 101 programs, plus what all of you have done, and you especially, into convincing the Japanese and the Koreans especially that they have to make way for a free competition in tobacco, has opened tremendous markets, and that is what is keeping the tobacco farmer in business and keeping him there at no cost to the Government.

Senator **FOWLER**. In your long experience in tobacco, has there ever been a time when the program was more cost efficient than it is now?

Mr. **PIDCOCK**. Never. It is zero now, the cost.

Senator **FOWLER**. Except for the administrative costs.

Mr. **PIDCOCK**. And I will tell you that the farmer now is paying the grading fee.

Senator **FOWLER**. That is right. The producer pays for his own grading.

Mr. **PIDCOCK**. By the Government Agricultural Marketing Service.

Senator **FOWLER**. Gentlemen, thank you for your fine presentations.

The **CHAIRMAN**. Thank you all for your very good testimony. [Applause.]

Our last panel is Gene Marks of the Georgia Commodity Commission for Dairy; Bill Boyce, the first vice president for Dairymen, Inc.; Dr. Harry Lee Kemp, chairman, Georgia Pork Producers Legislative Committee; and Glenn Smith, executive vice president, Georgia Cattlemen's Association.

STATEMENT OF GENE MARKS, PRESIDENT, GEORGIA MILK PRODUCERS FEDERATION, MANSFIELD, GA

Mr. **MARKS**. Mr. Chairman, I am Gene Marks, the owner and operator of a 450 cow dairy farm near Mansfield, Georgia and president of the Georgia Milk Producers, Incorporated. On behalf of the dairy farmers of Georgia, I would like to thank you all for coming down. We appreciate the opportunity to be here. We have been with you a couple of times already.

I have a right smart of prepared material. I will skip through some of it. You all have it over there.

THE DAIRY PRICE SUPPORT AND FEDERAL ORDER PROGRAMS CONTINUE TO PROVIDE THE STABILITY NEEDED IN THE MARKETPLACE

While improved transportation facilities have expanded marketing areas, as evidenced by the decline in the number of Federal marketing orders, the dairy price support and Federal order programs continue to provide the stability needed in the marketplace. For milk producers, the dairy program reduces the risks associated with highly unstable market prices. For consumers the benefits of the program come from the lower average price associated with reduced risks for the producer and from more dependable supplies.

SOUTHEAST ENJOYS AN EXPANDING FLUID MILK MARKET

In the Southeast we are fortunate. We enjoy an expanding fluid milk market. Population continues to expand at a rate above the national average and disposable incomes, while low in many areas, are expected to increase more rapidly than the national average. Thus, consumer demand for milk for fluid use, as well as for other dairy products, is expected to continue to increase at a rate greater than the national average.

DAIRY FARMERS IN GEORGIA WANT TO BE FREE TO COMPETE

Dairy farmers in Georgia want to be free to compete in the expanding Southeastern fluid milk market at price levels which reflect, to the extent possible, the cost of purchasing and transporting fluid milk from those areas that balance the region's fluid market.

PROPOSALS WHICH WOULD IMPOSE PRODUCTION CONTROLS WOULD DENY THAT OPPORTUNITY

Proposals which would impose production controls would deny that opportunity. To suggest, as some have, that a uniform Class I price should be established under a national order, I would note that to do so would eliminate all the incentive to move milk from surplus production areas to deficit areas, and to produce much of the milk in the local markets.

CLASSIFIED PRICING

Classified pricing within the Federal order system is vital to industry stability and to the orderly marketing of fluid milk and the manufacture of dairy products. Classified pricing under the Federal order system is an efficient and effective mechanism for allocating whole milk first to the fluid market and then to the manufacture of a variety of products of lower value, that is, butter, cheese, nonfat dry milk, and so forth.

CLASS I DIFFERENTIAL ADJUSTMENTS

Class I differential adjustments—Commissioner Irvin mentioned this this morning—contained in the 1985 farm bill recognized that significant increases in transportation costs had occurred during the period 1968–1985. While the adjustments left the transportation component of Class I differentials representing only about two-thirds of the actual transportation costs for Southeastern markets, the adjustments were needed and long overdue. They help to assure that the market is supplied as efficiently as possible—whether from local or different sources. Efforts to rollback the differentials to their 1985 level should be rejected.

PROGRAMS THAT RESTRICT NATIONAL PRODUCTION

Programs that restrict national production by means other than price have created serious market distortions for the area, and have added to the problems and costs of obtaining needed milk supplies.

NONPRICE MARKET DISTORTIONS

The Southeast has experienced nonprice market distortions and the accompanying problems twice in the last 5 years—first, during the diversion program and again in the dairy termination program. During both of these periods, higher than normal amounts of milk had to be brought into the area to meet the needs for Class I milk. The added cost of this supplemental milk was borne by those producer groups or processors who actually imported the milk. An inability to raise all prices to the level of the cost of the marginal supply created serious inequities between the producers and/or processors that purchased supplemental milk and those that did not. I might add there the Southeastern region of the United States was a little more heavily involved in the budget program and the termination program.

WE SUPPORT THE MARKET ORIENTATION OF THE CURRENT DAIRY PROGRAM

We, therefore, continue to support the market orientation of the current dairy program. The market should establish the general price level for milk as a rule. Efforts to institutionally maintain producer prices above market clearing levels for extended periods of time can only lead to a repeat of the surplus and budget related problems the industry and Congress came to grips with in 1985.

Now that the market has reestablished a relative balance between supply and demand, we would hope the Congress and the administration will let the dairy program, with only minor changes, operate. Changes we would recommend are relatively few.

TOTAL SOLIDS OR A WHOLE MILK BASIS SHOULD BE USED IN CONVERTING PURCHASES OF DAIRY PRODUCTS

To more accurately reflect the market for milk and dairy products, total solids or a whole milk basis should be used in converting purchases of dairy products by the Commodity Credit Corporation to their milk equivalent basis.

If purchases by the Commodity Credit Corporation are above 5 billion pounds, the support price should be adjusted downward by no more than 50 cents per hundredweight per year. If CCC purchases are below 2.5 billion pounds milk equivalent basis, the support price should be adjusted upward by at least 50 cents per hundredweight.

PRICE SUPPORT PROGRAM

Should the U.S. average price for manufacturing grade milk during the previous year be more than $1 above than the support price, the support price should be increased to within $1 of the prior season's average price. If the support price ceases to provide support to the market when needed, the price support program will not function efficiently or effectively. I might add the price support now is considerably under the market clearing price and that is the way it should be. It should be used as what it said, a support price, not a market price.

KEEP THE AUTHORITIES UNDER WHICH SECTION 22 IMPORT QUOTAS ARE MAINTAINED

We have heard several times this morning in regard to the GATT negotiations, section 22. We would also like to keep the authorities under which section 22 import quotas are maintained. We must not become a dumping ground for dairy products from countries that seek an unfair advantage in foreign trade.

Again, I thank you for the opportunity to come down, Mr. Chairman and Senator Fowler.

[The prepared statement of Mr. Marks appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you.

Senator FOWLER. Mr. Bill Boyce, first vice president, Dairymen, Inc. from Keysville.

STATEMENT OF BILL BOYCE, FIRST VICE PRESIDENT, DAIRYMEN INC., KEYSVILLE, GA

BACKGROUND

Mr. BOYCE. Thank you, gentlemen. I am Bill Boyce, a dairy farmer from Keysville, Georgia. I have served for the past 14 years as a member of the board of directors of the Georgia Division of Dairymen Inc., and for the past 6 years on the corporate board of our Cooperative.

Along with my wife and family, and I might also say my mother, I operate a 1,000 acre dairy farm in Burke County, Georgia. My father bought the farm in 1947, and began milking cows within 6 weeks after we finally got electricity. We now have 1,051 head of cattle on the farm in inventory and milk about 520.

ORDERLY ADJUSTMENT

During the 20 years that we have been in the dairy business, the investments made in our farming operation have been made with the expectation that U.S. dairy policy, while not holding prices or price support levels constant, would permit adjustments within the industry and on my farm to take place in an orderly manner. Without orderly adjustment within the market, family farmers cannot assume the risks associated with the capital investment required in dairying today. I hope that my son, who is now a sophomore at Abraham Baldwin Agricultural College here in Tifton or close by in Tifton, will find a farm environment that will permit him to return to the farm and make use of the agricultural training he is now receiving.

REWRITE OF THE FARM BILL

As each new administration addresses the question of the rewrite of the farm bill, there is an inclination to want to reinvent or at least reshape farm programs. In the case of dairy, however, there is an opportunity to make needed refinements in a program that, with few exceptions, has worked very well.

I would like to break from my prepared statement and take this opportunity, the statement I have just made and many other commodity leaders has made here today, and congratulate the Congress for doing an outstanding job on the last farm bill.

Only twice in the last five decades has milk production exceeded commercial use to the extent that burdensome surpluses of dairy products have been held by the Commodity Credit Corporation [CCC] for a significant period. The first was in the early 1960's and the other in the 1980's. In each case the price support level for milk and dairy products was set too high, production was overly stimulated and a period of readjustment followed.

1985 FARM BILL RESPONDED TO THE NEED TO BRING MILK SUPPLIES AND DEMAND INTO BALANCE

In 1985, your committee, the Congress, and the administration responded to the need to bring milk supplies and demand once again into balance. The measures adopted as part of the 1985 farm bill, while not painless, have been effective. Supply and demand have been brought into better balance. Government inventories of cheese and powered milk have disappeared. And, the support price for butter is being adjusted to reflect more closely its commercial market value.

I am sure as you all are aware there is absolutely no cheese or powder in commercial inventories in the United States today. There is an overabundance of butter and we just sold a lot of it to Russia. But some programs have been affected and I understand they have had to go to open market to buy some cheese for school programs, et cetera.

The CHAIRMAN. And also for the TEFAP program.

CHANGE THAT HAS TAKEN PLACE IN THE ROLE OF THE SUPPORT PRICE

Mr. BOYCE. Yes. Most noteworthy perhaps is the change that has taken place in the role of the support price. The support price is now serving as a safety net and not the sole determinant of prices in the market place. And certainly that backs up one of the statements that Mr. Marks just made.

M-W PRICE

The average price paid for manufacturing grade milk in the States of Minnesota and Wisconsin last month—commonly referred to as the M-W price—was a record—$13.10 per hundredweight in contrast to the current support price of $10.60 per hundredweight. For the first 9 months of 1989 the average M-W price is about $1 above the average for 1988 and the support price.

FEDERAL MARKET ORDERS CONTINUE TO PROVIDE FOR THE ORDERLY MARKETING OF A HIGHLY PERISHABLE PRODUCT

Today Federal market orders continue to provide for the orderly marketing of a highly perishable product. They continue to assure an adequate supply of milk for fluid use in all markets through a set of rules, regulations, and pricing provisions that attract milk for fluid use from the local area or from distant markets in an orderly and consistent manner. The minimum price of milk used for manufacturing purposes continues to be set at the same level in all Federal order markets, yet established in the open market, through the M-W series price in Minnesota and Wisconsin.

MAINTAIN THE DAIRY PRICE SUPPORT PROGRAM AND FEDERAL ORDER SYSTEM

Those features of the dairy price support program and Federal order system that have benefited producers and consumers alike for over 50 years and permitted the industry to continue to efficiently meet the demands of an expanding market should be maintained.

REFINE THE 1985 DAIRY PROGRAM; NO NEED TO OVERHAUL

We do not need to overhaul or drastically change the 1985 dairy program. However, some refinements could help. As the committee considers the 1990 farm bill, I ask that the following items be kept in mind and possibly considered:

DAIRY PRICE SUPPORT PROGRAM

An effective dairy price support program is essential if market stability is to be afforded producers and consumers.

The market orientation of the current program should be maintained, with the support level providing a floor below which milk prices should not fall. The support price should continue to provide a safety net to prevent disastrously low farm prices, while permitting normal market forces to work.

Again, section 22 import quotas which protect domestic agriculture from subsidized exports, dumping and other unfair trade practices should be maintained. The United States cannot be expected to underwrite the cost of foreign subsidy programs.

Price support adjustments limited to 50 cents or 5 percent per year, whichever is less, should be made gradually. Adjustments should be made downward if CCC purchases exceed 5 billion pounds milk equivalent per year or upward if CCC purchases are less than 2.5 billion pounds milk equivalent per year. I might add the total national production is somewhere around 147 billion pounds so we are just talking about a small percentage of total production, Mr. Chairman, as I am sure you are well aware of.

In no event should the support price level be permitted to be more than $1 below the U.S. average price for manufacturing grade milk during the previous year.

The price adjustment provisions just mentioned will operate to maintain an acceptable balance between supply and demand. Therefore, supply controls programs under normal circumstances would not be needed or in the longer-term best interest of the industry.

To more accurately reflect the market for milk and dairy products, CCC purchases, when converted to a fluid equivalent basis, should be converted using total solids or a whole milk basis rather than a milk fat basis.

FEDERAL MARKET ORDER PROGRAM

A strong and flexible Federal Milk Marketing Order Program is essential to the maintenance of orderly marketing of milk in fluid and manufactured dairy product markets.

Class I differential adjustments contained in the 1985 farm bill, while not sufficient to cover total transportation costs, more accurately reflect the costs of transporting milk from surplus to deficit regions than differentials in effect from 1968 to 1985. Therefore, we feel they should be retained subject to periodic review and adjustment by the Secretary of Agriculture, if needed.

Local or regional orders are the best means of recognizing that fluid milk markets are less than national in scope.

CONCLUSION

In conclusion, Mr. Chairman, the dairy section of the 1985 farm bill reestablished an improved balance between supply and demand in the market and reduced program costs. With reasonable and relative minor adjustments, an extension of the dairy price support and Federal order programs will provide a dairy policy that continues to serve the needs of both producers and consumers.

Thank you.

[The prepared statement of Mr. Boyce appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Dr. Kemp, who is speaking on behalf of the Georgia Pork Producers Association. Go ahead, sir.

STATEMENT OF HARRY LEE KEMP, CHAIRMAN, GEORGIA PORK PRODUCERS ASSOCIATION, LEGISLATIVE COMMITTEE, MACON, GA

Dr. KEMP. Yes, sir. Senator Leahy and Senator Fowler, I would like to take this opportunity to thank you to coming to our town and on behalf of Mitchell County School System we are going to make you all honorary Mitchell-Baker Eagles.

The CHAIRMAN. That is why Wyche took off here then. What do you have?

Dr. KEMP. We are going to give you the winter hat and Senator Fowler——

The CHAIRMAN. I will make sure he gets his when he gets back. I do not know if you heard what he said, because I come from New England, I get the winter hat. It does not always get that cold up there. We say in Vermont we have 10 months of winter and 2 months of mighty poor sledding, but not once do I recall at our home last winter, not once did it go below 40 degrees below zero. It did get down there a couple of times. [Laughter.]

Go ahead.

Dr. KEMP. You have the dubious distinction of being the first Vermonter that is a Mitchell-Baker Eagle.

BACKGROUND

My name is Harry Kemp. I am a pork producer from Mitchell County and I am presenting this testimony today on behalf of the Georgia Pork Producers Association, which represents 4,292 pork producers and their families in Georgia.

GOVERNMENT POLICY AS IT IMPACTS PRODUCERS' BUSINESS COSTS AND ABILITY TO EFFECTIVELY MARKET PRODUCTS

One of the major external factors affecting pork producer profitability is government policy as it impacts producers' business costs and ability to effectively market products. We want our producers, who are increasingly involved in a technologically advanced and capital-intensive process, to obtain at least an adequate return for their substantial investment of time, energy, and dollars. This is the only way to continue to have enough producers of pork who can assure that American consumers have what they expect of farmers—an abundant and safe supply of reasonably priced food.

Mr. Chairman, we commend you and the committee for its fine work in developing and implementing the 1985 farm bill. Overall, the last 4 to 5 years have been positive for the pork industry. For this, we thank you.

The key word for the rest of this testimony is going to be summary, due to limited time.

INCREASE IN LIVESTOCK ASSOCIATED RESEARCH, ESPECIALLY DISEASE RESEARCH IN OUR LAND-GRANT UNIVERSITIES

I represent a group that traditionally that asks very little in the way of Government subsidies, regulations, or almost any other factor. We would like to see, however, an increase in livestock associated research, especially disease research in our land-grant universities. Fifty percent of agricultural income comes from livestock products and their byproducts. We have received nothing approaching this concerning research in this area and we would like to see that changed.

SPEND OUR PORK CHECKOFF DOLLARS AS OUR PRODUCERS WANT TO AND AS THE LAW STATES

We would also like to spend our pork checkoff dollars as our producers want to and as the law states. At this time, I would really like to thank Senator Fowler and his chief aide Bob Redding for helping us with a letter that Senator Fowler got several of his Senate colleagues to sign concerning the use of these dollars. These are not tax dollars, these are checkoff dollars and they should be spent the way the producer want them checked off, and we are deeply grateful for the efforts you put out, Senator Fowler.

SUPPORT TEA

The National Pork Producers Council does not ask for any edge in the international marketplace. We do support, however, programs such as the Targeted Export Assistance Program which helped open markets in Japan, Hong Kong, Singapore, among others, last year.

PROTECTION FROM IMPORTS FROM COUNTRIES WHICH HAVE UNFAIR ADVANTAGES

We would also like some protection from imports from countries which have unfair advantages. The United States is a net importer of pork. Over 50 percent of the pork imports are from Canada. The Canadian Government, in the form of both the national government and the provincial government subsidized Canadian pork producers an average of over $20 per live animal for the last year. These animals were produced in Canada. They are subsidized by the Canadian Government and they are shipped across to compete with the United States pork. We feel this is unfair and we are not exactly sure what the farm bill can do to help us with this situation but we would at least like for this to be considered. We feel this practice needs to be stopped.

CONCLUSION

In conclusion, the 1980's have brought dramatic adjustments to agriculture here and abroad. The 1990's are likely to bring additional changes with the world economy being more interdependent than ever. Biotechnology, environmental concerns, and more sophisticated foreign competition point to a whole different horizon of change. Therefore, we must stand ready for new directions for farm and trade policy. The National Pork Producers Council offers its services in helping to design a new farm bill that will lead us into the next century.

Thank you.

[The prepared statement of Dr. Kemp appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Dr. Kemp.

Glenn Smith, you get the chance on behalf of the Georgia Cattlemen's Association to be the final one at bat here.

STATEMENT OF GLENN SMITH, EXECUTIVE VICE PRESIDENT, GEORGIA CATTLEMEN'S ASSOCIATION, MACON, GA

Mr. SMITH. We will wrap it up this morning. Chairman Leahy, it is indeed a pleasure to have you in Georgia. Senator Fowler, thank you so much for bringing this hearing down to Georgia where we have the opportunity to express our comments on the 1990 farm bill.

BACKGROUND

Good morning, my name is Glenn Smith and I represent the Georgia Cattlemen's Association [GCA] as executive vice president. GCA is the largest single commodity farm organization in the State of Georgia representing over 6,200 individual cattle producer members. Through our national affiliate, the National Cattlemen's Association [NCA], we speak for over 230,000 cattle producer members across the Nation.

CATTLE INDUSTRY

The $35 billion cattle industry is the largest segment of American agriculture according to cash receipts, and here in Georgia cattle rank as our third largest cash crop behind only broilers and peanuts. Cattle are found in every county in Georgia and involve more individual producers than any other commodity in our State.

Five years ago, the cattle industry, through NCA and through other State cattlemen's associations like our own GCA, became a participant in the formulation of the 1985 farm bill. Although the cattle industry does not have a program or a title per se, there are many titles within the farm bill which have a direct impact upon those who produce cattle. For that reason, we immersed ourselves in many issues. Some of those issues which were of concern then and remain of concern and interest to the cattle industry are:

FEED GRAINS

Market oriented grain policy was perhaps the most important policy change for the cattle industry in the 1985 act. Buying grain based on world market prices allowed cattlemen to timely gauge production costs based on supply and demand factors. Cattlemen strongly support the continuation of farm programs which allow free market forces to determine prices.

THE CONSERVATION RESERVE PROGRAM

The CRP program will certainly be reviewed in the 1990 farm bill discussions. The prohibition of haying and grazing on CRP land during the term of the contract has proven to be a wise and prudent decision. With over 30 million acres now enrolled in the CRP, it is easy to see the dramatic effect haying and grazing would have had if it had been allowed. A new haying and grazing law was passed for annual set-aside acres in 1987 because of an oversight in the 1985 act. The new law is a fair compromise that recognizes regional differences. We hope this new law will end the debate on haying and grazing, and that any additional haying and grazing would not be permitted except in time of natural disaster, such as a significant drought as we have experienced over the last several years all across our country. Certainly the question of what to do with the land after the 10-year contract expires will surely arise as an issue. It seems only appropriate in our free-enterprise system that the land would go back into commercial production unless, of course, that a new contract be negotiated.

DAIRY POLICY

In regard to dairy policy, Cattlemen support a market-driven farm policy for the dairy industry. Certainly we join with our brothers in the dairy industry and appreciate some of their remarks earlier today with respect to this market-driven dairy policy. Cattlemen are strongly opposed to another whole-herd buyout or any diversion program. Both of these programs have in the past caused serious market disruption and financial losses for cattlemen. The idea that these losses were only "on paper" is of little consolation to the thousands of cattle producers—many of whom raise cattle in the very county in which this hearing is being held today—who lost money on cattle in 1986 as a direct result of the dairy termination program.

CONTINUE TO DEVELOP DAIRY POLICY WHICH ENSURES LOW SURPLUSES OF DAIRY PRODUCTS

Congress must continue to develop dairy policy which ensures low surpluses of dairy products. Cattlemen fear that if dairy surpluses accumulate to unacceptable levels, another dairy herd reduction program will be implemented to resolve the problem. Cattlemen are willing and want to work with the dairy industry and Congress in developing future farm policy to ensure that these cattlemen's concerns are heard.

FOOD SECURITY ACT OF 1985 APPEARS TO HAVE BEEN A SUCCESS

The Food Security Act of 1985 appears to have been a success. One of the keys to this accomplishment was the fact that Congress did not change the act in midstream. By allowing the act to mature, farmers and ranchers have been able to plan and implement management practices without fear of Washington changing directions. Cattlemen hope that the 1990 farm bill will follow the same direction of longevity and relying on market forces to drive farm policy.

CATTLEMEN PLAN TO REMAIN INVOLVED IN THE DEVELOPMENT OF U.S. FARM POLICIES

Cattlemen plan to remain involved in the development of U.S. farm policies. Our primary areas of concern will be the grain, dairy and conservation titles. This is not to say that other issues will not surface as the bill develops. We as cattlemen plan to work diligently with other farm organizations and with Congress in the development of the 1990 bill.

We again appreciate this opportunity to be here this morning to present this testimony.

[The prepared statement of Mr. Smith appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much.

I was interested—if I could just kind of skip around on a couple of things—Dr. Kemp, in your testimony, you talked about the need for agriculture research. If I understand you correctly, you say it is presently in the land-grant colleges?

Dr. **Kemp**. Yes, sir.

The **Chairman**. Again, I have to agree with you. We know there are changes in what the consumers want. There are changes in scientific knowledge and everything else. One of the areas where the United States has been able to be a leader in the past is in our agricultural research. I think it is time for us to take a long look and see whether we have kept up in the 1980's the way we did maybe a few decades back. I want you to know that what you said about agriculture research really hit a responsive cord with me.

Would you explain one thing? In your section on food safety, you said you have your own quality assurance program to help the producers avoid illegal drug residues, improve management skills, reduce production costs. Then you go on to say this education, if put into practice by the majority of the U.S. pork producers, will help the industry protect or even expand its market for pork. Can you tell me a little bit more about how that comes about? Do you assess each of your members?

Dr. KEMP. Now, sir, this is a program put together by the national office. It has not been presented on a State level or on a local level as of yet. I think it has been done in a few target areas. We feel the local pork producers will accept this readily. The past history indicates they will. We were faced with the sulfa residue problem approximately a year or two ago. As you know, we not only met the standards that were placed upon us but surpassed them, and we feel with the same atmosphere of competitiveness in the marketplace that this quality assurance program, that they are going to jump on it with both feet and it will lead to much better things in the pork industry, primarily the things you expressed, primarily a quality in a high—a very competitive product in the marketplace.

The CHAIRMAN. So if you had that program for your producers, there would be certain basic standards whether it is a producer in Vermont or in Georgia that they would have to match?

Dr. KEMP. Oh, yes, sir.

The CHAIRMAN. And I wanted to understand, Mr. Boyce, what are they getting in Georgia right now per hundredweight for fluid price of milk?

Mr. BOYCE. The September all-Georgia price probably will be on a blend basis somewhere in the vicinity of $14.95 for 3.5 percent milk.

The CHAIRMAN. So you are considerably above the price support level?

Mr. BOYCE. Yes. The support level is $10.60. M-W currently is at $13.10. Of course, that has not showed the Federal milk order price structure yet. There is a 2-month lag. But, yes, the stocks—the national stocks or stocks in the national storage being what they are, yes.

The CHAIRMAN. Both you and Gene seem to feel that we are looking for—well, let me just quote from you, you say to more accurately reflect the market for milk and dairy products, CCC purchases, when converted to a milk equivalent basis, should be converted using total solids or a whole milk basis rather than a milk fat basis. You both agree on that.

And Mr. Smith, you feel the Conservation Reserve Program has worked?

Mr. SMITH. Yes, sir. I think the bulk of our producers have agreed that the program in total has worked.

The CHAIRMAN. And it would be safe to say just about wherever cattlemen are, whether it is in Georgia or anywhere else that they are not eager supporters of a whole-herd dairy buyout?

Mr. SMITH. I think you interpret that accurately.

The CHAIRMAN. You see what we did was we put Harry Lee as kind of a buffer between you and Gene and Bill there. We figure he is a good solid guy to be able to keep this——

Dr. KEMP. I wondered how a hog farmer got in with the cattlemen.

The **Chairman**. We did it solely on size. We were not taking any chances.

Mr. **Marks**. May I respond to that a little bit?

The **Chairman**. Sure.

Mr. **Marks**. We would love to work with the cattlemen. We are cattlemen. Dairy farmers contribute to the National Dairy Promotion Act, 15 cents a hundredweight and we contribute to the Beef Promotion Act $1 a head, just like the beef cattle folks do and we want to be a part of the industry, work with the industry, and try to move the whole industry forward. I regret that there were maybe some problems back in 1985 with the whole-herd dairy buyout program. I think the cattlemen now are reaping the other side, those cattle have moved out and the market prices have gone up since. I think it is a two-way street.

The **Chairman**. Glenn, did you want to say something?

Mr. **Smith**. Very quickly, Mr. Chairman, I think there was a positive side of what happened in the 1985 and 1986 dairy termination program. It was that—it certainly opened up some lines of communication and dialog between the beef cattle and dairy sectors and I think we realize our dependence upon one another more clearly at this point. Over the last few years, it has certainly been a pleasure to work with Dairymen Incorporated and the Georgia Milk Producers in trying to develop a policy that we can all live with.

The **Chairman**. Thank you very much. I do not mean to get that debate going here but—well, thank you very much, both of you.

Senator **Fowler**. Harry, have you had any problems with your pork producers checkoff program, the administration of it by USDA?

Dr. **Kemp**. Yes, sir. You know, as you remember we were in your office, I guess 3 weeks ago, in Washington discussing that. USDA has narrowed their translation of the Pork Act to limit the way the dollars can be spent, and the way the bill—the way the Pork Act was passed among producers was that it could be spent to promote pork and also to help fight unfair competition from international—other international markets, and our Secretary has changed that. Even though it was specifically—our law was passed separate from other commodity acts intentionally for that very reason because we felt we had a more special purpose for our money and the law was written as such. The Secretary of Agriculture has put us under the umbrella of all the commodities and we are now controlled the same as other commodities.

Senator **Fowler**. That is just another reason, Mr. Chairman, why we need an advisory program that was suggested before. We may head off some of these type of regulatory snares that we have found.

Dr. **Kemp**. But that has been a real problem to us.

The **Chairman**. Maybe you and I ought to just have a chat with the Secretary of Agriculture.

Senator **Fowler**. We had a serious chat with him on this one.

Dr. **Kemp**. And we appreciate it a great deal.

Senator **Fowler**. Let me ask you one other thing, Harry. I saw in your prepared statement, the chairman asked you a little bit about food safety. Your recommendations, you say that it may be more appropriate not to have food safety as a title in the farm bill, but with free standing legislation. Why? Why do you make that recommendation?

Dr. **Kemp**. Probably in the same motive that we passed the commodity as a separate act. Pork is kind of a different ball game than a lot of the other commodities, and we thought that if it was handled in a separate forum that it would probably be better for our product for it to be set aside in such a manner.

Senator **Fowler**. I see. This is basically an industry-specific reason.

Dr. **Kemp**. Yes, sir.

Senator **Fowler**. Thank you.

Glenn, let me ask you the same question. Do you think we ought to have a food safety title in the 1990 farm bill? Have you all taken any position on that?

Mr. **Smith**. Our organization has really not developed a specific policy in this respect. Off the top of my head, in some areas it does possibly sound like a good idea in that—we, just as you have in the beef industry and particularly more than some of the other commodities, have heard and felt first hand, some of the questions that have arisen with respect to food safety. It has been our position in the past to rely purely upon scientific evidence. An issue that comes to mind, of course, is the European ban on growth promotants. Clearly the scientific evidence was in our corner. However, the public perception becomes reality. We have to be responsive to the consumer demands. I think we have to evaluate whether or not we as an industry can respond to those consumer driven market motivations or whether or not we need to back up and have a food safety title in the program. So at this point, I do not know if we really need one but it is something that certainly needs consideration.

Senator **Fowler**. The chairman also asked you about the Conservation Reserve Program. Do you think if we, "we" the committee in the law narrow any increases in the CRP program to environmentally sensitive lands that you could support an increase in the program?

Mr. **Smith**. I think there would have to be significant justification for any lands that were excluded. And beyond that, there are some environmentally sensitive lands which may not be suitable for some type of agriculture, for instance, row cropping, however, would not be damaged in any respect by other forms such as grazing of livestock. So there are several issues that need to be addressed within that.

Senator **Fowler**. That is helpful.

Bill and Gene, in conclusion I want to make sure we do not let this Vermont dairy State chairman get out of town without you emphasizing the differences in our Georgia dairy farmers with the needs up there in New England that we ought to be sensitive to when we get into the dairy section.

Mr. **Marks**. Senator, I think we are real closely related to the New England area market up there more so than we are to the Midwest. It sort of goes up the eastern seaboard. I am sure we have some differences but they are not major differences.

The CHAIRMAN. We have one big thing that is the same and that is we are in an expanding market without the capacity to meet that expansion.

Mr. MARKS. Yes.

The CHAIRMAN. And that puts a whole different aspect on this issue.

Senator FOWLER. Well, I ought not to say this but all of these kids over here have to write something so I will give them something they can write. I want to tell you dairy farmers that because of my daddy's—on my grandfather's farm in Warren County in Warrenton, I learned to milk cows when I was 6 or 7. I put my expertise to work on behalf of our country about 6 months ago when I milked my first camel. I had to ride him across—I had to ride her across the desert. [Laughter.]

The CHAIRMAN. First mistake.

Senator FOWLER. The first mistake was getting on the camel. Then I had to milk her in order to promise I did not have to ride anymore. It is in a place called Abu Dhabi which is on the Persian Gulf. Several Senators who were involved in an energy policy went to the Persian Gulf to try to do something about all this imported oil that was coming in and how we can do a better job along the lines the chairman was talking about in national security. But I have not gone back to milking cows or camels since then but I guess I will have to add that to my résumé.

I want to thank all you Eagles for these hats. I am sorry I was out when we had the presentation. Good luck to you. And I do thank all of the students for being here today, and for your teachers, for their public service in allowing you to attend. I know a lot of this was sort of Greek to you when we get into the specifics of the commodity programs.

Chairman Leahy does town meetings in his State too. This is the way we learn first hand from the people we represent what the problems are in our government and how we can do a better job. Senator Leahy and I do not have all the answers to these things but it very hard to represent people to get things right unless you come home and ask them what it is we are doing right and what it is we could do a lot better as we try to develop agricultural policies in this case but energy policy, education policy and other responsibilities that we have.

The CHAIRMAN. I might say to the students who are here, you probably heard about some of these things from your teachers but one way we learn, of course, is by coming here like this. In many ways the best way to learn is just to come home and hear what is on people's minds. We also read a great deal. For example, my office found out that I read the equivalent of a 300 to 500 page book every single day. Those of you who may go into this line of work, learn to read. Learn to read well. Learn to understand what you are reading. It is the most important thing that you are going to learn during your years in school. The most important thing is learning how to read and read well and understanding and remembering what you read. If you master that, you can be anything you want to be in the world. You can learn about anything and set your goals for it, if you have that basis. So if your teachers keep after you to read this or read that, they are doing it for your own good because that is what is going to give you the basis you need. You set the goals, building on that foundation and you will match those goals.

Thank you.

Senator **Fowler**. Thank you, Pat. I want to thank Olan Faulk for being here representing Senator Nunn, also James Bush and Rick Ivey representing Congressman Hatcher. Chuck Riemenschneider is here as staff director of our Agriculture Committee. We are very pleased that he would come down, and most of you know Marilyn Hedrick of my staff from Albany. Hill McKemie who was a farmer before he joined me and has done a great job in southwest Georgia working with Marilyn. Chris Schepis who works on farm credit matters with me out of my Atlanta office, and Bob Redding who is my chief in Washington from the great city of Edison, Georgia.

We thank everybody for coming and we stand adjourned.

[Whereupon, at 10:53 a.m., the committee adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

APPENDIX

PREPARED STATEMENT OF THOMAS T. IRVIN, GEORGIA COMMISSIONER OF AGRICULTURE, ATLANTA, GA

I am very happy to have the opportunity to offer remarks regarding the 1990 farm bill—legislation which will be crucial to the successful operation of American agriculture.

I think I join many others who agree that the 1985 farm bill has basically served us well. The law has allowed USDA to reduce some of the subsidies and price formulas tied to certain commodities. It has also effectively reduced some of the high price supports which some economists say have priced the United States out of international markets.

Like many of my counterparts, I believe that the key to the 1990 farm bill is **flexibility.** Present rules lock in production patterns because most producers choose their crop mixes more to ensure benefits of Government programs rather than to maximize market returns. I feel that we should continue to strive to make commodity programs more market-responsive and implement policies that help assure free and open markets—both domestically and abroad. In my opinion, such policies would create demand and lift farmers' prices more than any other action.

As a representative for Georgia farmers, I feel that I must address several major issues which would significantly impact my State's producers.

As you know, peanuts are our major row crop and Georgia leads the Nation in production. Our producers generally feel that the peanut program established under the 1985 farm bill has worked well and simply needs some "fine-tuning." Specifically, they would like the preharvest contract deadline eliminated and the date of delivery or December 15 of that marketing year to be accepted as the deadline. In addition, although the peanut poundage quota was 1,440,000 short tons for the 1989 marketing year, there is a move that the statutory minimum national quota poundage be raised from 1,100 million tons to 1,350 million tons.

Although our domestic tobacco markets are not as strong as we would like to see them, world demand for our leaf has increased and I think the present program has functioned well for our producers. This program operates at a no-net cost to the Government and should be left intact.

Cotton producers have also been basically pleased with the present program. They have expressed a desire to see the Secretary of Agriculture use more of his discretionary powers to help control supply and demand and to see some "fine-tuning" to help U.S. cotton be more competitive in world markets.

Georgia soybean producers would like to see a program, which would not lock them into a base acreage and allow them to better respond to market conditions. I think the proposal from the American Soybean Association is an innovative idea and one that should be carefully evaluated. In addition, southern producers feel that the present programs discriminate against those farmers who can double crop soybeans and wheat. Growers want the wheat set-aside program patterned after that of corn which would allow them to plant beans in the spring.

Although Georgia is a milk-deficit State, our dairy industry is a very important segment of our agricultural economy. Our dairymen would be detrimentally impacted by any decrease or elimination of the Class I differentials or the reclassification of reconstituted milk. Milk shipped into Georgia from long distances and reconstituted milk would leave our State's consumers with an inferior quality product having poor shelf life. By developing a program which will keep our own farmers in business, we can produce a higher quality product for Georgians. Therefore, we must adamantly oppose any move toward such a policy since it would ultimately lower the prices our producers receive for their milk.

In the past, the dairy program has been so erratic, Georgia farmers have had difficulty making future production decisions. We need to give this area of the farm bill particular attention and develop a workable, long-term dairy policy, producers can rely on in order to make plans for the future.

Environmental issues will most certainly play a major role in the 1990 farm bill. Resources and attention must continue to be directed toward preserving and protecting our valuable farmland and water resources. Programs, like the successful Conservation Reserve Program, should be continued.

Food safety has been a major issue in the media and on the minds of consumers during the past year. In addressing this area, we all need to keep in mind that Americans enjoy the safest, most diverse and plentiful food supplies in the history of mankind. I support any incentives that encourage reduced use of chemicals while maintaining production, but we must be careful not to paint ourselves into a corner. Policy should not be based on political climate, but sound scientific findings and a balanced analysis of the risks and benefits.

Penetrating and keeping foreign agricultural markets is vital to the success of many American farmers. The Export Enhancement Program has proven to be an excellent initiative to move many of our Nation's agricultural commodities, such as poultry, into foreign markets. I believe we should continue to develop and encourage such programs.

Thank you for allowing me this opportunity to speak to an issue of such vital importance to the economy of America and Georgia. Even though the 1990 farm bill can be built on the successes of our 1985 legislation, Congress, the U.S. Department of Agriculture, the administration and our Nation's farm community have a big challenge ahead of them. I wish them success in achieving these goals and pledge my support in the effort.

PREPARED STATEMENT OF EVANS J. PLOWDEN, JR., GENERAL COUNSEL, SOUTHEASTERN PEANUT ASSOCIATION, ALBANY, GA

Mr. Chairman, my name is Evans Plowden; I am general counsel for the Southeastern Peanut Association. We are a trade association made up of all but two of the commercial peanut shellers operating in the Southeastern United States. Our members in the Southeast handle over 60 percent of the quota peanuts in the United States and approximately 80 percent of the commercial additional peanuts.

We appreciate the opportunity to be present today to present our views both with respect to the effectiveness of the Food Security Act of 1985 and our views on the 1990 farm bill.

In our opinion the legislation written by your committee and passed by Congress as the Food Security Act of 1985 was and is an excellent piece of legislation. By and large it has accomplished its objectives. Growers have been given a stable situation in which to make a decent profit, manufacturers have been given a stable supply of quality peanuts and shellers have been granted additional flexibility to operate in the world market. All of this has been done at virtually no cost to the Government. American consumers receive quality peanut products at a reasonable price. The economy of southern Georgia, southern Alabama and northwest Florida, while not in particularly good shape now, would undoubtedly be much worse without the peanut program you passed in 1985.

Mr. Chairman, I know you recognize that the basic key to the present peanut program is the two-price system for peanuts created back in the 1970's. We as shellers recognize that having two classifications of peanuts, quota and additional, priced differently, is necessary to control Government costs. However, we should be aware that in order to make that program work the burden of the policing has by and large fallen on the shelling industry. We recognize that we must play that role and while it is not one that we like we realize that we must shoulder it.

Because of the role we must play, Mr. Chairman, our concerns about the Food Security Act of 1985, as well as the 1990 farm bill, tend to be focused upon creating a mechanism to allow the handling and export of additional peanuts with less complication and more potential for increasing exports. Congress in 1985 took a giant step toward accomplishing that goal by the passage of what we refer to as nonphysical supervision of the handling of contract additional peanuts. By all accounts, with some exceptions I will mention later, those provisions have worked exceedingly well. We believe they have caused not only a smoother business operation but have contributed greatly to the export of peanuts.

Our association supports the present peanut program generally. We do think that it can be substantially improved by fine tuning several provisions of the 1985 act. I emphasize these are not major changes in so far as the overall concept of the act, however, they can be major when applied to our segment of the industry and we believe generally would enhance the prospects of American peanuts being sold overseas.

From our standpoint the greatest problem arising out of the 1985 act was a regulation which provided an unrealistic shrinkage allowance for shellers' contract additional export obligations. Mr. Chairman, as you know, that problem was addressed legislatively this summer and has been resolved. It is our great concern that your legislative resolution this summer find its way into the 1990 farm bill. I need not go into the reasons for that change since the committee is quite familiar with it because of the summer's legislation.

Historically the peanut industry, and I suppose industry generally in the United States, has experienced some difficulty with the regulatory process. In our industry this difficulty arises in basically two areas. First, there seems to be an unreasonable delay in the formulation of regulations. (Those pursuant to the 1985 bill were issued in the latter part of June 1986.) Mr. Chairman, commerce cannot fly very well in the dark for that period of time. We waited on a new shrinkage rule since last fall when an interim rule was published. The final rule was not issued until this committee had addressed and resolved the problem. Almost an entire year. Second, the regulations don't fit the real world very well.

While I don't have an answer to that problem I do believe that the creation of some regulatory advisory committee to the Secretary would be of assistance. First, such a committee would give the Secretary the benefit of the vast practical knowledge present in the industry. Second, those inappropriate or counterproductive regulations could be identified before issuance and more appropriate regulations initially issued. We certainly do not propose that the industry be given any formal authority but rather that a structure be created to allow the industry early and frequent input into the development of regulations.

Our association has identified a number of other issues which we believe the 1990 bill should address in some manner. Generally these matters are technical in nature and are designed, as I said earlier, to benefit the entire industry with no detriment to any segment or the Government.

The requirement for a contract on additional peanuts and the deadline for filing that contract with the ASCS has previously been of concern to the industry and it continues to be.

We believe that increased flexibility between the categories of peanuts exported and the credit given therefor should be provided. This is a highly technical matter but basically would allow sound mature whole kernels and sound split kernels to be treated interchangeably, thereby allowing the industry to be more responsive to the market.

Along this same line we believe that handlers should be allowed to crush, if appropriate, additional peanuts and receive the same credit as if those particular peanuts had been exported. The public is becoming more and more health conscious. Peanut oil, while expensive, is generally recognized as a very healthy oil. It is not inconceivable that the oil crushing market could, during the term of the 1990 bill, become a viable, as opposed to a residual, market and the industry should be allowed to respond to that market if it develops.

Most handlers of peanuts in the United States are signers of the Peanut Marketing Agreement which has the function of developing regulations dealing with quality of peanuts. Unfortunately, all handlers are not signers. We believe that the present situation and structure regarding the Peanut Marketing Agreement and the Peanut Administrative Committee must be changed. Legislation addressing that problem is presently before Congress. As always, we stand ready to work with all interested parties to resolve this problem.

Mr. Chairman, as you are aware, at present the area associations provide Commodity Credit Corporation loans at 100 percent of support price to growers. We are concerned that we compete directly with the loan. It would seem to be more appropriate that the Government loan be used as a market of last resort rather than a market of first resort. When shellers buy peanuts there is absolutely no chance for loss to the Government. When the Commodity Credit Corporation buys peanuts there is of course always the chance of loss.

We support a change in the deadlines and procedures for export of peanuts. The August 31 deadline is a meaningless deadline under nonphysical supervision and we believe it should be changed to December 31.

I also want to mention, Mr. Chairman, that apparently the Secretary of Agriculture has decided that certain decisions will be made with no public notice or comment opportunity. That decision has recently been applied to price support differentials between various types of peanuts thereby eliminating the notice previously given and comment period allowed. We believe that procedure to be unsound and unfair. We believe all interested parties should be given notice and have an opportunity to comment before differential decisions are made final.

Mr. Chairman, we believe Congress wrote a very fine piece of legislation in the peanut section of the Food Security Act of 1985. We support its basic continuation with "fine tuning."

Let me say again how much we appreciate the cooperation and responsiveness that this industry has always had from both the chairman and members of the committee and your staff personnel. We appreciate your helpfulness and responsiveness.

PREPARED STATEMENT OF JIMMY CURRY, PRESIDENT, GEORGIA PEANUT PRODUCERS ASSOCIATION, SHELLMAN, GA

Mr. Chairman, members of the committee. We appreciate your being here. My name is Jimmy Curry. I represent the Georgia Peanut Producers Association which is a voluntary, nonprofit organization of actual producers.

Our association was organized by producers in 1981. Its purpose is to improve, through study and research, the quality of our product; to create a greater demand for our product; to promote the growth of the peanut industry in Georgia; and to improve the economic well-being of the producer.

Our association is financed by a voluntary $1 per ton assessment paid by peanut producers whose livelihood is dependent in some measure on the production and sale of peanuts.

Our membership, Mr. Chairman, is in favor of and urges the continuation of a supply management program based on equitable poundage quotas and price supports which will assure a fair return to producers.

We recommend setting the support price for quota peanuts at the national average cost of production, including land costs, plus a reasonable return on investment, with an annual adjustment for increases in production costs.

The Georgia Peanut Producers Association recommends the elimination of any contract deadline on additional peanuts for export. This deadline, now set as July 31, establishes an artifical and unrealistic market price that, more often than not, does not reflect actual supply and demand factors at the time of harvest.

We recommend that peanut producers be given the option of removing loose shelled kernels from their farmers stock peanuts and marketing these LSK's as oil stock. This would serve to remove such undesirable peanuts from the edible market and, by lessening the high incidence of aflatoxin occurring in such peanuts, provide a safer, cleaner product. We strongly recommend that the price differentials established by ASCS not be lowered upon the adoption of this option but be left as is to encourage removal of the LSK's.

Our association recommends that Congress maintain the integrity of the domestic peanut market from foreign interference by reaffirming the existing Canadian agreement which restricts the exportation of U.S. additional peanuts to Canada in the forn of peanut products.

If the existing regulation should be eliminated, we are concerned that the products involved would inevitably find their way back into this country and displace products made from quota peanuts. This would result both in a loss of export markets for U.S. raw peanuts and in increased cost to taxpayers by forcing the USDA to dispose of displaced quota peanuts through the loan program at a loss to the Commodity Credit Corporation.

Mr. Chairman, we respectfully request that your committee closely monitor the international trade negotiations now underway by member nations of the General Agreement on Tariffs and Trade to ensure that our peanut program is not affected. We applaud the statement of Representative Kika de la Garza, chairman of the House Agriculture Committee, who emphasized that "Congress will decide whether or not to accept or reject any agreement made by the administration in Geneva or any other place."

In addition, our association is appreciative of the improvements that have been made in the Crop Insurance Program; namely, the earlier delivery of program rules and policies and the increase on nonirrigated production from a maximum of 2,513 pounds per acre to 2,813 pounds per acre.

The Crop Insurance Act of 1980 has, in my opinion, served to undergird the Georgia peanut industry. Though it got off to a rocky start and has been complicated by too many changes and inconsistencies, the trend is in the right direction.

That is certainly indicated by the total acres insured in Georgia increasing from 181,000 acres of peanuts in 1981 to 454,000 acres insured under the program in 1988.

The success of the program has been distorted by the fact that 4 of the 8 years since the program was begun have been years of moderate to severe drought resulting in abnormal loss ratios.

However, I believe the goal of the Crop Insurance Program is something we can all agree on; that is, to provide the producer with protection that will cover normal production costs for a premium that is reasonable and affordable.

We are also very much aware of the fact that nonfarming taxpayers feel that disaster payments to farmers are a "giveaway" of their tax dollars and that urban Congressmen are more and more reluctant to underwrite the particular risks that we, as farmers, face.

With this in mind, I believe that we can fine-tune the present crop insurance program just as we have, over the past 10 years, fine-tuned the peanut price support program.

All of the elements are in place. The Federal Crop Insurance Corporation has the responsibility for establishing rates and rules and monitoring the private insurance agents.

The private sector has in place adequate facilities, offices, and agents to deliver the program to the producer.

The peanut producers of Georgia obviously want and need the program as indicated by the increase in acreage insured and lenders and agribusiness suppliers welcome the stability and insurance against loss.

How can the program be improved? I would like to submit the following recommendations for your consideration:

1. At the present, irrigated and nonirrigated peanuts within the same farm serial number are considered one unit and total production from both practices are applied to production to count in case of a loss on the unit. As a producer, I feel it would be more equitable to separate irrigated and nonirrigated peanuts by tract within the same farm.

Let me give you a specific, personal example of the risk factors between irrigated and nonirrigated peanuts.

In cooperation with a major sheller, I carried out a 3-year program during the years 1986, 1987, and 1988.

On 2,000 acres of irrigated peanuts during those 3 years, the yield varied only 10 percent or less.

On 1,000 acres of dryland peanuts during those same 3 years, the yield variation was 50 percent.

That tells me two things. Irrigation is a good investment. And there is no way to eliminate the risk factor on dryland peanuts.

2. I would recommend that a method be provided to eliminate the impact of disaster years on the producer's production history. This would result in a truer base yield picture and establish a more realistic risk factor.

This could be accomplished by eliminating the Actual Production History which has discouraged participation. If FCIC field underwriters established a realistic base yield by Farm Serial Number, then producers could then choose the level of coverage (50 percent, 65 percent or 75 percent) best for their operation.

The base yield should be established high enough that the 75 percent level would reflect a guarantee that would cover normal production costs.

One way to do this would be to figure a simple, 10-year average of proven yields with a minimum yield of not less than 90 percent used for any disaster years. That approach would result in a realistic premium rate and it would be economically attractive to the producer.

3. I believe the program would be improved by following the lead of many other insurance organizations; that is, provide for a premium adjustment for both favorable and unfavorable loss experience. For instance, producers consistently showing nonloss years could be able to accumulate a premium discount up to 25 percent over a 5-year period. On the other hand, producers having two consecutive loss years would be subject to a premium surcharge of 10 percent which would be subject to increase over a 5-year period.

This type of premium discount or surcharge might serve to eliminate some of the program abuse we've had in the past and also encourage participation by above average producers. This method, of course, works in the private sector on other types of insurance.

In summary, the Georgia Peanut Producers Association recommends continuation of the present peanut program. In fact, we recommend establishing the peanut pro-

gram as permanent legislation as a model agricultural program that assures a plentiful supply of quality peanuts at reasonable prices to consumers.

That provides economic stability which has contributed to the ability of many family-sized farms to stay viable in the face of a series of drought years.

That operates at a minimal cost to the Federal Government. It works for the banker, who can estimate a return for the money he lends on the peanut farmer's operating costs. It works for the fertilizer and chemical dealer who provide the materials for this abundant protein source, and it works for the consumer who enjoys an adequate supply at a stable price.

Thank you very much.

PREPARED STATEMENT OF R.L. "BOBBY" WEBSTER, COTTON FARMER, ON BEHALF OF SOUTHERN COTTON GROWERS, INC., CHAIRMAN, GEORGIA COTTON COMMISSION, WAYNESBORO, GA

Mr. Chairman, members of the committee, welcome to the great farm State of Georgia—Senator Fowler welcome home. On behalf of the Georgia cotton farmer I wish to thank the committee for its work on behalf of agriculture and for the time and effort you have taken in holding these important hearings here in Georgia.

Senators, I am R.L. "Bobby" Webster, a cotton farmer from Waynesboro, Burke County, Georgia, and I am presently serving on the board of directors of Southern Cotton Growers, Inc., on whose behalf I have the privilege of addressing you today.

Southern Cotton Growers, Inc., is the regional cotton producers organization in the Southeast United States representing cotton farmers from throughout Alabama, Georgia, North Carolina, South Carolina, Florida, and Virginia.

Before I address the subject matter of today's hearing, I wish to take this opportunity to thank this committee, the Senate, and Congress for their passage of the Disaster Relief Act of 1989. Our farmers in South Carolina have suffered the worst disaster in recent history. Hopefully, the Disaster Relief Act will lend some assistance. I also would like to state that farmers are closely attuned to the land and environment and have throughout history practiced sound environmental management. We welcome the opportunity to address this national issue. Any new legislation relative to the environment must be on balance with today's technology and America's agriculture economics.

Now, to today's subject: Cotton farmers in Georgia and the Southeast, endorse the continuation of the Food Security Act of 1985, with minor adjustment, which provides the Secretary with the necessary tools to assure that we maintain our competitiveness which moves our commodities in foreign and domestic trade and provides our farmers with a fair return on their investments.

Throughout most of its long history, the CCC loan including the 8-month extension, has provided very useful functions with little cost to the Government. It has served as an orderly marketing tool; provided a mechanism through which adequate supplies could be carried at reasonable costs; and, has aided farmers in obtaining production credit.

The CCC loan level for cotton should remain at its present term and level and premiums, discounts and bases, including location adjustments, should accurately reflect market value.

We support the continuation of the target price concept which more accurately reflects inflation in the cost of production however, we urge the use of cost per acre, rather than cost per pound, in determining increases in cost of production.

We oppose any limits on price supports or payments due to their inherent inequities and the adverse effects such limits have on balancing supply and demand as well as bringing about increased Government expenditures.

We further oppose any type of offsetting and cross compliance as such policies would have a severe impact upon our farmers in the Southeast, which grow more than just one crop. In addition, such policies would reduce drastically participation in any type of production control programs as well as provide a double standard to those farmers affected by limitations.

We urge this committee, Congress, USDA, and other governmental agencies to adopt and implement the following provisions as part of the agricultural policies of the United States.

MARKET ENHANCEMENT

A. Maintain a marketing loan program that enhances the competitiveness of U.S. cotton in all markets.

B. Assure that the CCC loan level exists only to assist producers in crop financing but should not encourage excessive cotton production.

C. That premiums, discounts, and bases for the qualities of Upland cotton used by USDA in establishing CCC loan differentials accurately reflect market value.

D. That interest rates on cotton loans not exceed the lowest rate at which Government borrows money.

E. Oppose raw cotton imports, except when supplies are limited, and producers' interests may be beset served by a temporary limited relaxation of import quotas. This would serve to avoid imposition of export quotas, avoid loss of the domestic market to synthetics and assure domestic mills an opportunity to compete in world markets for available supplies at competitive prices until U.S. producers could fully supply domestic needs.

F. Oppose any type of cotton reserve program.

G. Continue to support section 1002(a) of the act which provides that whenever a credit or commodity embargo of any commodity is imposed for any reason other than a national emergency declared by both Houses of Congress, the U.S. Government shall on the day the restriction is initiated, establish a compensatory program to the producers which reflects 90 percent of normal producer income without payment limitations while maintaining a one price system.

H. Should an oilseed marketing loan be forthcoming, implement a cottonseed marketing loan program. Proceeds from such program should be paid to the producer or ginner.

I. Support adequate funding to expend export markets through blended credit, Public Law 480, export commodity exchange, and other programs which provide equitable treatment to domestic mills.

PRODUCTION CONTROLS

A. Maintain the continuation of the target price concept which accurately reflects the cost of production. For determination purposes the cost of production should be based on cost per acre rather than cost per pound.

B. Acreage reduction program beyond 25 percent be in the form of a paid diversion.

C. Eliminate offsetting and cross compliance.

D. Continue laws and regulations which permit a reasonable increase in individual base acreage.

CONSERVATION

A. Adopt production legislation that encourages reasonable conservation and efficient production practices.

B. Such legislation should not be used as a requirement for participation in Government programs.

C. Any long-term Conservation Reserve Program should not adversely effect the agribusiness economy of individual counties.

BOLL WEEVIL ERADICATION

A. Continue adequate Federal funding of the Boll Weevil Eradication Program.

FARM CREDIT

A. Farm credit systems should be supported by private financial institutions and the U.S. Government to assure the farming industry of adequate short- and long-term financing at reasonable costs.

B. FmHA implement a program to help qualified young people begin farming.

C. FmHA should have a program of disaster loans in conjunction with, or in the absence of, the disaster provisions.

COTTON INCORPORATED FUNDING

A. Support legislation that permits uniform collection of the research and promotion assessment, without a refund option, on Upland cotton produced or imported by the United States and on cotton product imports.

DISASTER PROGRAMS

A. Maintain a mandatory federally funded crop disaster program in the event of a natural disaster.

Mr. Chairman, we appreciate the opportunity to present these comments and recommendations.

Thank you.

PREPARED STATEMENT OF JAMES LEE ADAMS, CHAIRMAN, NATIONAL SOYBEAN ASSOCIATION, CAMILLA, GA

I am James Lee Adams, chairman of the American Soybean Association. I'm a farmer from Camilla, Georgia. It's a true pleasure to be invited here today.

Soybeans are a leading cash row crop in Georgia. This year, about 31 million bushels of soybeans will be harvested here on 1.5 million acres, according to USDA. Our crop has a cash value of $177 million. As you can see, soybeans are important to farm income in Georgia. They are also a vital protein feed component for poultry, a major industry in Georgia. Soybean farmers value their customers, including poultry producers, since each year poultry consumes 46 percent of the soybean meal produced in the United States.

Soybean farmers congratulate this committee for coming to the country to hear from farmers and others directly affected by the important decisions you make. The next farm bill you write will set the framework for U.S. agriculture into the next century. The stakes are high and the challenges significant.

The American Soybean Association has a 1990's task force of farmers who have been working for the past 15 months listening and surveying soybean farmers. They held many "Listening Sessions" of farmers around the country and found four top concerns looking toward the next farm bill:

1. Environment;
2. Greater farmer freedom to make planting decisions;
3. Market-driven demand growth; and
4. Soybean quality.

ENVIRONMENT

Environmental policy clearly overlaps with farm policy. The need for market-driven demand growth means the trade title of the farm bill is also very important. I'd like to focus on all three today.

First, we need balanced environmental policies which allow farmers to produce soybeans competitively and profitably while protecting the environment. Positive incentives to encourage sound environmental practices accompanied with increasing education programs would go a long way toward continuing good stewardship of our productive land. If farmers have more freedom to plant what's best for their farming operation, they can improve crop rotations. More balanced crop rotations mean better pest and disease control, conservative use of fertilizer and chemical, and lower farm production costs.

GREATER FARMER FREEDOM TO MAKE PLANTING DECISIONS

When I talk to farmers in Georgia, they tell me that they want greater freedom to make planting decisions on their farms. But, importantly, if prices fall dramatically, they want a "safety net" of reasonable income support.

MARKET-DRIVEN DEMAND GROWTH

Looking toward the 1990 farm bill, soybean farmers seek several key principles for the soybean farm program:

1. No price floor to competitors of U.S. soybeans;
2. Avoid Government-owned surplus stocks;
3. Keep soybeans free of set-asides;
4. Provide income protection for U.S. soybean farmers;
5. Allow equitable profit opportunities;
6. Provide planting freedom which is necessary for U.S. soybean farmers to capture increasing world demand for soybeans and soybean products, and allows for response to environmental and conservation concerns; and
7. Oppose oilseed crops from being produced or harvested on set-aside acres.

As you write the next farm bill, we recommend you carefully consider the impact of one crop policy upon another. The same farmer often grows several crops and must weigh the economic benefits of growing one crop over another.

I know farm programs are voluntary. But farmers can't afford *not* to participate in farm programs or suffer the long term potential economic consequences of losing base. Their bankers won't let them. Moreover, we remember that farm programs provided important support during the low prices of the mid-1980's and that having base acreage is a key to benefits.

I am very concerned that the current U.S. farm programs are discouraging production of soybeans in the United States and encouraging production overseas. Farm program economics tell me to maximize production of program crops which has a target price yielding greater returns than the market price for soybeans.

Yet foreign competitors like Brazil and Argentina don't receive a target price. They keep expanding their soybean production because they see that soybean cash prices are more profitable than cash prices of other commodities.

U.S. farmers get the signal to maximize production of program crops while our competitors see the opposite signal from the marketplace. As a result, U.S. production of soybeans and other oilseeds is down 18 percent and acreage is down 21 percent since 1979. Foreign production is up 60 percent and acreage is up to 26 percent. World demand for protein and vegetable oil is growing at 3-5 percent a year. U.S. farmers are reducing soybean acreage in a growing market while foreign competitors expand and seize profit opportunities from U.S. farmers.

SOYBEAN QUALITY

Soybean farmers would welcome the opportunity to work with this committee to pursue creative solutions to resolve these challenges facing soybeans. Our problems aren't low price and high Federal costs. Our challenge is to achieve policy which lets us produce a quality crop for the market, generate a profit, and benefit from a growing world market.

To benefit from a growing world market we must also work to reduce unfair trade barriers. The Targeted Export Assistance (TEA) Program is an important tool to combat unfair trade barriers, many of them in the European Economic Community (EEC). The EEC is our largest market and our largest competitor.

TEA has been very successful in offsetting unfair soybean trade barriers. For example, the TEA Program is responsible for increasing soybean oil consumption in Portugal by 36 million bushels and by 8.5 percent in West Germany. TEA funds helped increase the share of identified soybean oil on the market from 3.5 percent to 7 percent.

This committee included the TEA Program in the 1985 farm bill. We *strongly urge* that it be continued and strengthened in the next farm bill.

Mr. Chairman, that concludes my remarks. Thank you for the opportunity to be here.

PREPARED STATEMENT OF JIMMY DIXON, PRESIDENT, GEORGIA CORN GROWERS ASSOCIATION, GIRARD, GA

Mr. Chairman, members of the committee, I thank you for the invitation to present testimony to the Committee on Agriculture, Nutrition, and Forestry. My comments will be based on information gathered through conversations with Georgia Corn Grower Association members and my own personal knowledge. This information shows a vast majority of Georgia corn farmers think the present program has worked well to bring down the overabundance and has given a form of stability. This is not to say there is no need for adjustments.

The first major adjustment must deal with the inaccuracy of "program yields." With the drought of 1977, came the need to survive. With this need, came the introduction of widespread irrigation, very evident and useful. This new tool did not save all farmers, but as we learned to use it, yields increased. At the time the present "program yields" were introduced, the lessons of when and how to irrigate were just beginning. We have farmers in this State, who have 150-180 bushel, 5-year average yields. These same farmers are operating on "program yields" of 50-80 bushels. We propose that in new legislation, changes be made in "program yields," to reflect a more current yield and allow proven yields, based on 5-year average. Having updated yields in place for a new farm bill, farmers will not feel the need to push yields to the limit. This slowdown will save inputs. *Lower* input sustainable agriculture, but guarantees a supply of quality grain.

Second, Georgia corn farmers, cash rent much of their acreage, but with all the safeguards in the present program, the landlord/tenant provisions are still inadequate. We propose, that 0/92 gives corn farmers the flexibility needed and should be a part of a new bill, but in cases where landlord/tenant actions are not clear, 0/92 guaranteed deficiency payments be denied. This would give both landlord and tenant the incentive to settle.

Third, we of the Georgia Corn Growers Association, believe that corn is a renewable resource that can replace imported oil and at the same time, protect our environment. We propose that a new bill support efforts to increase awareness of the benefits of degradable plastics and ethanol/ETBE usage. With increased usage of corn and corn products, onfarm prices will increase and deficiency payments will decrease and new jobs will also be created.

Mr. Chairman, I hope these rambling remarks help in some way, somehow. I again thank you for allowing me to address this distinguished body.

PREPARED STATEMENT OF DONALD CHILDS, SECOND VICE-PRESIDENT, GEORGIA FARM BUREAU FEDERATION, MACON, GA

Mr. Chairman, Senator Fowler and Senator Gorton, my name is Donald Childs, 2d vice-president of the Georgia Farm Bureau Federation. Our general farming operation, in Jackson County, Georgia, consists of beef cattle, grain, hay, soybeans, and grain sorghum. On behalf of my organization, let me thank you for taking the time to come to southwest Georgia, the heart of the intensive row crop growing region of our State, to gather information on the 1990 farm bill. Certainly, drafting legislation of this magnitude is an enormous task, and we are grateful for the amount of time and effort you gentlemen devote to accumulating and examining as many facts as possible.

I am sure that you are familiar with the structure of Farm Bureau. The Georgia Farm Bureau represents some 176,000 members. We literally represent producers of all commodities grown in this State ranging from peanuts, to peaches, to polled Herefords. Therefore, we have a keen interest in the writing of the next farm bill as it will have a great impact on all of our growers, regardless of what commodity they produce. Through our policy development process, all farmer-members have an opportunity to express their concerns and needs. We start with recommendations from the county Farm Bureau members and commodity advisory committees. A representative statewide committee composed of county presidents and commodity committee chairmen review and make a recommendation for the delegates at our annual convention. During the whole process, only farmer-members participate in the decisionmaking process. It is with this process in mind, that I present our views on the 1990 farm bill. If there is one overriding theme in my statement today, it is flexibility.

Farm Bureau continues to support the concepts in the Food Security Act of 1985. In the 4th year of this 5-year bill, the major purposes of this legislation, namely:

(1) Improving farm income;
(2) Reducing stocks;
(3) Regaining market share; and
(4) Reducing budget expenditures have been largely attained.

Through the scheduled decline in farm price support loan rates, the use of marketing loans and export enhancement programs, U.S. commodities have become more competitive in the world environment and have regained a larger share of the world export market. Our present mission is to take the current agricultural situation and farm programs and mold them so that agriculture can be prosperous into the next decade. We must continue to be mindful that there are many factors that affect farm income that are beyond your control, as Members of Congress. The next farm bill must be flexible enough to deal with a nebulous future.

Our Farm Bureau members adopted the following policy on basic goals and objectives of the next farm bill:

—Improving net farm income and enhancing the economic opportunity for farmers are Farm Bureau's most important goals.
—We favor a market-oriented agriculture with supply and demand, rather than Government action, ultimately determining production and price.
—Subsequent to the Food Security Act of 1985, a consistent market-oriented farm program should be pursued that would:

(1) Rely less on Government and more on the market;
(2) Allow farmers to take maximum advantage of market opportunities at home and abroad without Government interference;
(3) Encourage production decisions based on market demand;
(4) Provide income support at a level that would not interfere with opportunity for income from the market;
(5) Encourage needed adjustments in resource use;
(6) Minimize or eliminate the impact on nonprogram commodities;
(7) Provide for minimal Government stocks; and

(8) Be consistent with, and complementary to, international economic and foreign relations policies.

The first four points that I have made are self-explanatory. All farm programs have to be consistent with that need to produce and sell to a consumer market.

The fifth point encourages needed adjustments in resource use. Agriculture is constantly changing based on market demands and changing production technologies. Again, the word "flexibility" arises. Farm programs must be flexible enough to allow production agriculture to respond to changes as consumers worldwide make their voices heard in the marketplace. As part of the needed adjustments, we have supported allowing a 10 percent shift between base acres of program crops and initiatives for the updating and proving of program yields.

As I mentioned earlier, Farm Bureau has the privilege and challenge of representing producers of all commodities. Producers of our nonprogram commodities want a greater voice in determination of farm programs. It is evident that the markets for commodities produced without Government price and income support programs are affected by farm program policies. Certain proposals to adjust farm programs would substantially increase the extent of those impacts. This is particularly important when issues like increased planting flexibility and shifting production patterns to meet environmental requirements are addressed. We must make sure that one group does not benefit at the expense of others.

Stocks of most farm program commodities have been greatly reduced. While the drought of 1988, and in some parts a continuing drought for 1989, also helped reduce stocks of some commodities, it should be noted that the stock reduction was already trending downward before these droughts. The 1990 farm bill should continue the direction of the 1985 law with a focus on producing the commodities in demand and selling those commodities in an orderly marketing manner, rather than producing for loan prices and storage payments and, thus, burdensome carryover building up supplies.

The final point in our future farm program policy deals with international policy. Trade provisions in the new farm bill will have a tremendous impact on Georgia agriculture. We support programs, such as the Export Enhancement Program, which help to increase agricultural exports. Several Georgia commodities are dependent upon section 22 and we support the continuation of this provision in the new law. We do realize that the current GATT negotiations are still underway and probably will not be completed before the farm bill is written. While Farm Bureau has been supportive of the U.S. efforts in these negotiations, we will oppose any proposed provisions which would require the United States to take unilateral action to eliminate existing policies. While the U.S. farmers can effectively compete with farmers anywhere in the world, we can only do so if we are on equal footing. We cannot compete with governments that unfairly subsidize their farm producers.

I have not talked about specific commodities today because we represent so many, however, I would like to comment briefly on the peanut program because of the fact that 50 percent of the Nation's peanuts are grown in our State. The Georgia Farm Bureau feels that the peanut provision of the Food Security Act of 1985 is working well and needs little, if any, improvement in the 1990 legislation. The program is designed to ensure that the consumer of the United States will continue to be supplied with an abundant supply of healthful, nutritious peanuts at little or no cost to the U.S. Government.

I would like to briefly mention two other issues which affect farm programs. These are the Federal budget and environmental issues.

Net outlays on price and income support programs have declined from almost $26 billion in fiscal year 1986 to about $14 billion this fiscal year, 1989. Projections for future years put outlays at about $10-$12 billion per year. While we understand that the budget is an issue in farm programs, we ask you to not let it be the driving force in farm policy.

The environmental issues are considerably more complex. Farm Bureau's first concern is with the opportunity to produce. We also have a true concern for our environment. The 1985 law went a long way toward protecting our natural resources. We ask for your assistance in insuring that the environmental portions of the new farm bill are not so restrictive that farmers lose the opportunity to use the resources that they control.

Finally I want to mention the Federal Crop Insurance Program. Our policy recommends that crop insurance not be required for eligibility to participate in Federal farm programs or drought relief programs. In addition, our policy calls for FCIC to use the ASCS yield as the county average yield rather then the present "T" factor. The bottom line on the Federal Crop Insurance Program is that it is simply not affordable at the present time for most farmers. The present premiums compared to the possible benefits do not make crop insurance a good nor practical business decision. I would like to commend Congress on the creation of the Federal Crop Insurance Commission. Hopefully the recommendations of this group will be incorporated into the new farm bill.

In conclusion, I would be remiss if I did not commend Senator Fowler for the tremendous help that he has given to us through his position on the Agriculture Committee. Agriculture is still Georgia's largest industry and the importance of being represented by a Senator of his caliber cannot be overstated.

Again, let me express my appreciation to you for coming to Georgia. The Georgia Farm Bureau stands ready to assist you in the development of a progressive, sound farm bill.

PREPARED STATEMENT OF RALPH PAIGE, EXECUTIVE DIRECTOR, FEDERATION OF SOUTHERN COOPERATIVES/LAND ASSISTANCE FUND [LAF], ATLANTA, GA

The Federation/LAF works with over 25,000 low-income families, organized into 100 self-help community based groups across the South.

About half of the Federation/LAF's membership are primarily black farm families owning an average of under 100 acres of land each. The remainder of our membership are low income rural residents who are generally employed in low wage or seasonal jobs in small towns and rural communities.

For more than two decades, since 1967, the Federation of Southern Cooperatives has worked at the grassroots level in rural communities around the South. Through community based cooperative economic development efforts, the Federation and its member cooperatives and credit unions have worked to generate new income, jobs, services, training, awareness, and a spirit of self-help and change for many low income and economically exploited people in some of the most depressed and persistently poverty-stricken rural counties in America.

The Federation is dedicated to the cooperative principles and operating philosophy as the best means to ensure that poor and minority people will share in the economic system and receive an equitable portion of the ownership of resources and distribution of economic benefits of our society. Cooperatives, with technical and financial support from public and private sources, are a flexible development tool to allow poor people through democratic participation and mutual aid to build economic power, political influence, and social stability. The Federation has assisted many local grassroots rural groups to use the cooperative structure to build new self-help institutions to share economic power and political progress in their local communities.

The Federation, working with low-income people and through their own self-help organizations, seeks to deal with rural poverty in a regional comprehensive and coordinated approach. We see some of the problems of rural people: substandard housing, low literacy rate, unemployment and underemployment, idle holdings, poor health care, hunger and malnutrition, as potential opportunities for the development of self-help strategies to change and correct these situations. Cooperatives which make productive use of land; grow food, rehabilitate and construct new housing, develop jobs and teach people new skills, are creative people oriented mechanisms, which help grassroots people to find solutions to their own problems. The cooperative movement teaches people to replace despair and depression with hope and positive accomplishments.

The current economic crisis in agriculture and rural America is accentuated for black, minority, and limited resource farmers who have for years been struggling to make a subsistence income on the edge of poverty. For black farmers in the rural South, there has been a "continuing crisis" for the past 50 years. Black farmers have faced not only the general decline in the farm economy, but also neglect, racial discrimination, and economic exploitation. Black farm ownership and farm population has declined steadily and at a more rapid rate than for white farmers for most of this century. In 1910, there were over 1 million black farmers owning 15 million acres, while in 1980 there were less than 100,000 black farmers owning less than 7 million acres.

Black farmers are still losing land at an astounding rate of 1,000 acres per day or 350,000 acres per year.

In the face of these grave and continuing problems, the Federation/LAF has been effective in finding self-help solutions to these problems. With limited resources and support from foundations, church denominations, and concerned individuals, the Federation has fashioned some creative responses to these difficult problems of rural community development.

Among the successful efforts of the Federation/LAF over the past few years have been:

a. Established a network of volunteer community contacts across the South who can assist landowners with problems of retaining their land and can contact the Federation/LAF State and regional staff for specialized technical assistance and referrals.

b. Conducted several hundred community level workshops and informational sessions to assist farmers and landholders in understanding the methods and programs, including Federal USDA policies and regulations, to help them retain, maintain, and develop their landholdings.

c. Assisted over 1,000 family farmers to apply for FmHA loan restructuring under the new programs of the 1987 Agricultural Credit Act.

d. Assisted many family farmers and other rural people to organize and sustain cooperatives and credit unions as a means to work collectively to purchase, market, and share farming resources; existing cooperatives were aided and new cooperatives were established.

e. Continued development of the Federation/LAF Rural Training Center, near Epes, Alabama, as a central resource for cooperative development in the rural South.

f. Developed marketing outlets for farmers to market their produce directly to consumers in New Orleans, Memphis, Birmingham, Atlanta, Philadelphia, and Chicago, through inner-city churches and other community centers.

g. Developed plans for processing facilities to further strengthen marketing and distribution of cooperative production; among these plans are: a meat processing plant; pickle processing plant; wood processing company for pallets and boxes and other similar projects.

h. Advocating for policy changes at the Federal, State, and local level which will facilitate the growth and development of family farmers, especially minority farmers and rural communities.

The Federation/LAF recommends that any comprehensive rural community economic development legislation enacted by Congress contain the following provisions:

1. Legislation for a "Minority/Diadvantaged Farmers Rights Act" to protect the landholdings of black and other minority farmers across the Nation. The Federation/LAF has developed a draft of this legislation which recognizes the importance and benefit to the Nation of racial and ethnic diversity in the ownership of our farmland; and the value of cultural diversity and pluralism in the composition of our family farm population. A major goal of this legislation is to maintain, increase, and perpetuate this diversity and pluralism in ownership of our farmlands. We are urging Congress to consider adding these provisions as a title of the "1990 farm bill" or incorporating them into your rural development legislation. A copy of the details of this legislative proposal is available from the Federation/LAF.

2. Support for a massive outreach and education effort to reach and serve minority limited resource and family sized farmers with information to assist them to remain in farming and help develop rural communities.

The Federation/LAF and some of the 1890 historically black land-grant colleges have shared in an FmHA/USDA initiative called the "Small Farms Technical Assistance Project." This $1 million per year effort needs to be increased to at least $5 million annually, with funding for the 1890 HBLG colleges but also community-based groups, like the Federation/LAF, who are in direct contact with minority and limited resource family farmers.

In Georgia, the Federation/LAF with a $100,000 grant from the "Small Farms Technical Assistance Project" provided hands-on help to over 600 farm families including organizing 3 new cooperatives. The Mississippi Association of Co-ops worked with Alcorn on its project but could have done more in Mississippi with a statewide grant to respond to the needs of all farmers who contacted us for help in terms of rural employment, a set-aside of 20 percent of the funds should be reserved for these type of projects developed by community based groups.

The legislation should also provide for reduced interest rates and matching requirements for projects in counties and communities with large concentrations of low income and minority people. The Senate bill provides for reduced matching requirements in counties with 70 percent of the national median income. Similar and cumulative reductions should apply if the rural county or communities are more than 30 percent minority, have high unemployment rates and others factors. Projects which are community based and serve low income and minority rural communities should have the highest priority for funding the lowest cost of capital and the highest level of incentives for development, since they have been neglected for the longest time.

The Federation of Southern Cooperatives/Land Assistance Fund is prepared to provide additional information and details on our recommendations and concepts. We will provide this additional information upon request.

3. Greater support for direct marketing efforts of family farmers selling to consumers, inner-city groups and other direct markets. With church support, the Federation/LAF sold directly to consumers in several cities, i.e., New Orleans, Birmingham, Atlanta, Memphis, Chicago, and Philadelphia. With more funding and support, similar to "export enhancement" assistance, farmer groups could be supported in marketing directly to consumers.

4. More loan and equity investment funds, at reasonable interest rates, are needed to support cooperative and community development projects. Capital and development purposes, especially for community based projects, is in short supply in rural depressed communities. More loan funds, land banks to buy and hold land for family sized farmers, community development credit union funds and others are needed to assist in financing community self-help projects to improve the lives and livelihoods of rural people and communities.

5. Provide for set-asides in any rural development legislation creating special rural development loan funds to serve low income, minority-owned and community based projects, since community based projects are the most difficult to finance, but often pay the largest dividends.

PREPARED STATEMENT OF GENE MARKS, PRESIDENT, GEORGIA MILK PRODUCERS FEDERATION, MANSFIELD, GA

Mr. Chairman, I am Gene Marks, the owner and operator of a 450 cow dairy farm, near Mansfield, Georgia, and president of the Georgia Milk Producers Federation. On behalf of the dairy farmers of Georgia, I am pleased that you, Senator Fowler, and the other members of the committee are here today conducting one of your first hearings on the 1990 farm bill. We appreciate your efforts on behalf of our industry and this opportunity to comment on U.S. dairy policy in the 1990's.

Numerous changes have been made in the dairy program over the years. Yet, the basic economic characteristics of milk production and raw milk marketing have not changed significantly. They are fundamentally the same today as they were in the 1930's, when States and the Federal Government first implemented programs to stabilize milk prices and improve milk marketing conditions.

Today, milk continues to be a highly perishable product that can be stored in its original form for only a short time. Milk is bulky relative to its value, hence, costly to transport long distances. Since it is harvested daily, marketing arrangements have to be made in advance and the terms of payment specified.

Many resources used in dairying continue to have limited uses. Therefore, once committed, they become sunk costs. As a result, supply in the short run responds slowly to price changes.

Similarly, consumption responds slowly to price changes. The demand for milk and dairy products is, therefore, highly inelastic in the short run.

While improved transportation facilities have expanded marketing areas, as evidenced by the decline in the number of Federal marketing orders, the dairy price support and Federal order programs continue to provide the stability needed in the market place. For milk producers the dairy program reduces the risks associated with highly unstable market prices. For consumers the benefits of the program come from the lower average price associated with reduced risks for the producer and from more dependable supplies.

In the Southeast we are fortunate. We enjoy an expanding fluid milk market. Population continues to expand at a rate above the national average and disposable incomes, while low in many areas, are expected to increase more rapidly than the national average. Thus, consumer demand in the Southeast for milk for fluid use, as well as for other dairy products, is expected to continue to increase at a rate greater than the national average.

As a deficit producing area, milk in bulk and packaged form is brought into the Southeast on a regular basis. To balance supplies with demand, the quantity of milk required from other areas ranges from a low of about 2.5 percent in the spring to 10 percent or more during the fall months.

To supply the area's needs, prices have to be at a level that will attract a supply adequate to meet demand. The necessary supply may be obtained locally or from more distant markets, or from both.

Dairy farmers in Georgia want to be free to compete in the expanding Southeastern fluid milk market at price levels which reflect, to the extent possible, the cost of purchasing and transporting fluid milk from those areas that balance the region's fluid market.

Proposals which would impose production controls would deny that opportunity. To suggest, as some have, that a uniform Class I price should be established under a national order, I would note that to do so would eliminate all the incentive to move milk from surplus production areas to deficit areas, and to produce much of the milk in many local markets.

Classified pricing within the Federal order system is vital to industry stability and to the orderly marketing of fluid milk and the manufacture of dairy products. Classified pricing under the Federal order system is an efficient and effective mechanism for allocating whole milk first to the fluid market and then to the manufacture of a variety of products of lower value, i.e., butter, cheese, nonfat dry milk, and so forth.

Class I differential adjustments contained in the 1985 farm bill recognized that significant increases in transportation costs had occurred during the period 1968–1985. While the adjustments left the transportation component of Class I differentials representing only about two-thirds of the actual transportation costs for Southeastern markets, the adjustments were needed. They help assure that the market is supplied as efficiently as possible—whether from local or distant sources. Efforts to roll-back the differentials to their 1985 level should be rejected.

On an annual basis, more than 70 percent of the milk produced in the Southeast is used for fluid consumption. Much of the remainder is used to produce products such as cottage cheese, ice cream, sour cream, dips, yogurt, and other Class II processed products. Only a small percent of the area's total production goes to manufacture hard cheeses, butter, and nonfat dry milk. And, a smaller percentage of the area's products are sold to the Commodity Credit Corporation.

Programs that restrict national production by means other than price have created serious market distortions for the area, and have added to the problems and costs of obtaining needed milk supplies.

The Southeast has experienced nonprice market distortions and the accompanying problems twice in the last 5 years—first, during the diversion program and again in the dairy termination program. During both of these periods, higher than normal amounts of milk had to be brought into the area to meet the needs for Class I milk. The added cost of this supplemental milk was borne by those producer groups or processors who actually imported the milk. An inability to raise all prices to the level of the cost of the marginal supply created serious inequities between the producers and/or processors that purchased supplemental milk and those that did not.

During the dairy diversion and dairy termination programs, 1983-1987, the dairy herd in Georgia declined from 130,000 cows to 99,000 cows. At the present time, the herd is estimated to be 105,000 cows or 20 percent below the 1982 total. While some States have experienced significant increases in herd size and production during the last 2 or 3 years, Georgia has not. If economically attractive to do so, however, the dairy farmers of the State want to be free to do so as well.

We, therefore, continue to support the market orientation of the current dairy program. The market should establish the general price level for milk as a rule. Efforts to institutionally maintain producer prices above market clearing levels for extended periods can only lead to a repeat of the surplus and budget related problems the industry and Congress came to grips with in 1985.

Now that the market has reestablished a relative balance between supply and demand, we would hope the Congress and administration will let the dairy program, with only minor changes, operate. Changes we would recommend are relatively few.

To more accurately reflect the market for milk and dairy products, total solids or a whole milk basis should be used in converting purchases of dairy products by the Commodity Credit Corporation to their milk equivalent basis.

If purchases by the Commodity Credit Corporation are above 5 billion pounds, the support price should be adjusted downward by no more than $.50 per hundredweight per year. If CCC purchases are below 2.5 billion pounds milk equivalent basis, the support price should be adjusted upward by at least $.50 per hundredweight.

Should the U.S. average price for manufacturing grade milk during the previous year be more than $1 above than the support price, the support price should be increased to within $1 of the prior season's average price. If the support price inceases to provide support to the market when needed, the price support program will not function efficiently or effectively.

These changes, we feel, will permit the dairy price support and Federal order programs to operate more effectively and reduce the need for producer assessments to finance industry surpluses. Assessments distort the nature of industry adjustment problems without correcting them. We, therefore, hope that the Congress will reject proposals which propose industry financing of surpluses through producer assessments.

With regard to negotiations now underway on a new general agreement on trade and tariffs (GATT) we strongly encourage the retention of the authorities under which section 22 import quotas are maintained. While trade barriers may over time be reduced, section 22 authorities would continue to provide the basis for responding to countries who do not adhere to the accord. Our markets must not become the dumping ground for dairy products from countries that seek an unfair advantage in foreign trade, or that seek to circumvent a new accord.

In conclusion, I want to again thank the committee for coming to Georgia to hear our views, and want to express our willingness to work with you as you write the 1990 farm bill. When we may be of assistance to the committee, please let us know.

PREPARED STATEMENT OF BILL BOYCE, FIRST VICE PRESIDENT, DAIRYMEN INC., KEYSVILLE, GA

Mr. Chairman, I am Bill Boyce a dairy farmer from Keysville, Georgia. I have served for the past 14 years as a member of the board of directors of the Georgia Division of Dairymen Inc., and for the past 6 years on the corporate board of our cooperative.

Along with my wife and family, I operate a 1,000 acre dairy farm in Burke County, Georgia. My father bought the farm in 1947, and began milking cows soon after electricity came to the area. We now milk 960 cows. During the 20 years that we have been in the dairy business, the investments made in our farming operation have been made with the expectation that U.S. dairy policy, while not holding prices or price support levels constant, would permit adjustments within the industry and on my farm to take place in an orderly manner. Without orderly adjustment within the market, family farmers cannot assume the risks associated with the capital investment required in dairying today. I hope my son now attending ABAC college, will find a farm environment that will permit him to return to the farm and make use of the agricultural training he is now receiving.

As each new administration addresses the question of the rewrite of the farm bill, there is an inclination to want to reinvent or at least reshape farm programs. In the case of dairy, however, there is an opportunity to make needed refinements in a program that, with few exceptions, has worked very well.

Only twice in the last five decades has milk production exceeded commercial use to the extent that burdensome surpluses of dairy products have been held by the Commodity Credit Corporation (CCC) for a significant period. The first was in the early 1960's and the other the 1980's. In each case the price support level for milk and dairy products was set too high, production was overly stimulated and a period of readjustment followed.

In 1985 your committee, the Congress, and the administration responded to the need to bring milk supplies and demand once again into balance. The measures adopted as part of the 1985 farm bill, while not painless, have been effective. Supply and demand have been brought into better balance. Government inventories of cheese and powdered milk have disappeared, and the support price for butter is being adjusted to reflect more closely its commercial market value.

Most noteworthy perhaps is the change that has taken place in the role of the support price The support price is now serving as a safety net and not the sole determinant of prices in the marketplace.

The average price paid for manufacturing grade milk in the States of Minnesota and Wisconsin last month—the M-W price—was a record—$13.10 per hundredweight in contrast to the current support price of $10.60 per hundredweight. For the first 9 months of 1989 the average M-W price is about $1 above the average for 1988 and the support price.

Today Federal market orders continue to provide for the orderly marketing of a highly perishable product. They continue to assure an adequate supply of milk for fluid use in all markets through a set of rules, regulations, and pricing provisions that attract milk for fluid use from the local area or from distant markets in an orderly and consistent manner. The minimum price of milk used for manufacturing purposes continues to be set at the same level in all Federal market orders, yet established in the open market, through the M-W series price.

Those features of the dairy price support program and Federal order system that have benefited producers and consumers alike, for over 50 years, and permitted the industry to continue to efficiently meet the demands of an expanding market, should be maintained.

We do not need to overhaul or drastically change the 1985 dairy program. However, some refinements could help. As the committee considers the 1990 farm bill, I ask that the following items be kept in mind and considered:

DAIRY PRICE SUPPORT PROGRAM

- An effective dairy price support program is essential if market stability is to be afforded producers and consumers.
- The market orientation of the current program should be maintained, with the support level providing a floor below which milk prices should not fall. The support price should continue to provide a safety net to prevent disastrously low farm prices, while permitting normal market forces to work.
- Section 22 import quotas which protect domestic agriculture from subsidized exports, dumping and other unfair trade practices should be maintained. The United States cannot be expected to underwrite the cost of foreign subsidy programs.
- Changes in the level of price supports should be set utilizing a dairy specific formula with a "snubber" or "trigger" based on the projected level of Government purchases of dairy products.
- Price support adjustments limited to $.50 or 5 percent per year, whichever is less, should be made gradually. Adjustments should be made downward if CCC purchases exceed 5 billion pounds milk equivalent per year or upward if CCC purchases are less than 2.5 billion pounds milk equivalent per year.
- In no event should the support price level be permitted to be more than $1 below the U.S. average price for manufacturing grade milk during the previous year.
- The price adjustment provisions just mentioned will operate to maintain an acceptable balance between supply and demand. Therefore, supply controls programs under normal circumstances would not be needed or in the longer-term best interest of the industry.
- To more accurately reflect the market for milk and dairy products, CCC purchases, when converted to a milk equivalent basis, should be converted using total solids or a whole milk basis rather than a milk fat basis.

FEDERAL MARKET ORDER PROGRAM

- A strong and flexible Federal milk marketing order program is essential to the maintenance of orderly marketing of milk in fluid and manufactured dairy product markets.
- Class I differential adjustments contained in the 1985 farm bill, while not sufficient to cover total transportation costs, more accurately reflect the costs of transporting milk from surplus to deficit regions than differentials in effect from 1968 to 1985. Therefore, they should be retained subject to periodic review and adjustment by the Secretary of Agriculture, if needed.
- Classified pricing of milk is required to be included in all Federal orders for milk by the Agricultural Marketing Agreement Act of 1937, as amended. The down allocation or use of compensatory payments whenever Class III products are used to reconstitute fluid milk is required to ensure the integrity of the classified pricing procedure. Milk concentrated by reverse osmosis can be shipped between orders without destroying the classified pricing system if, on a milk equivalent basis, the milk is priced as bulk fluid milk shipped inter-order.
- Local or regional orders are the best means of recognizing that fluid milk markets are less than national in scope.

In conclusion, Mr. Chairman, the dairy section of the 1985 farm bill reestablished an improved balance between supply and demand in the market and reduced program costs. With reasonable and relative minor adjustments, an extension of the dairy price support and Federal order programs will provide a dairy policy that continues to serve the needs of producers and consumers.

PREPARED STATEMENT OF HARRY LEE KEMP, CHAIRMAN, GEORGIA PORK PRODUCERS ASSOCIATION, LEGISLATIVE COMMITTEE, MACON, GA

Mr. Chariman, and members of the committee, I am presenting this testimony today on behalf of Georgia Pork Producers Association, which represents 4,292 pork producers and their families in Georgia. In the interest of time I will present only a portion of my testimony. When I'm finished I'll present the committee with a written copy of my entire testimony.

One of the major external fctors affecting pork producer profitability is Government policy as it impacts producers' business costs and ability to effectively market products. We want our producers, who are increasingly involved in a technologically advanced and capital-intensive process, to obtain at least an adequate return for their substantial investment of time, energy, and dollars. That is the only way to continue to have enough producers of pork who can assure American consumers have what they expect of farmers—an abundant and safe supply of reasonably priced food.

Mr. Chairman, we commend you and the committee for its fine work in developing and implementing the 1985 farm bill. Overall, the last 4 to 5 years have been positive for the pork industry.

Before commenting on the new farm bill for the 1990's, I would like to address the foundation already set in place through existing farm programs.

1985 FARM BILL

The 1985 farm bill was successful in providing a continuous supply of feed for livestock, while providing new export enhancement opportunities. Specifically, existing feed grain and soybean programs have provided adequate supplies of feed at reasonable prices, except for the drought of 1988. In addition, the Targeted Export Assistance Program has allowed us to increase exports of pork to Japan.

We really have no problems with the 1985 farm bill, although we did experience eligibility problems with the emergency feed and water assistance programs in 1988 and 1989. Last year's drought caused tighter feeding margins for pork producers with break-even prices projected to rise about $5 per hundredweight due to higher feeding costs in 1989. Moreover, it appears that we will see more volatile grain and soybean prices in the future even without a drought.

Thanks to the efforts of the Senate Agriculture Committee we are optimistic that ASCS will make appropriate corrections in emergency feed assistance programs and make water assistance more available to pork producers.

1990 FARM BILL

Our top priority now is to look ahead to new initiatives in the 1990 farm bill. In particular, we want to focus on research, the environment, and trade issues.

RESEARCH

NPPC believes that the future of our industry is in our own hands. Yet, pork producers are convinced that we will need the cooperation of the Federal Government to undertake certain research programs and coordinate national efforts to control and eradicate swine diseases. Because infectious diseases continue to be the main cause of illness and death in domestic livestock, we must continue to be able to respond to disease. The Federal Government can be of assistance with basic research and be available for consultation and coordination in implementing programs such as the proper use of animal drugs.

NPPC has noted a new appreciation for the need to reassess our research needs, especially within the livestock industry. We not only have existing technologies to assess and implement, but we need to identify our most serious research priorities for the next decade. Biotechnology is certain to open a new frontier for agriculture, and we need to ensure that mechanisms are in place to evaluate and use those technologies that fit into our goals in agriculture. We can make a positive contribution to the farm and rural economy if we continue to make the right adjustments in agriculture and its infrastructure in the next decade. We must also continue to develop new products to meet the various needs of consumers throughout the world.

Historically, research expenditures for the improvement of animal agriculture have not been proportional to expenditures on plant research. Livestock producers make up approximately 50 percent of total agricultural income, but animal agriculture does not receive anywhere near half of Federal research dollars.

Swine research, in particular, is underfunded. Land-grant universities and Agricultural Research Service institutions have simply been lacking in funding to keep up with inflation and our foreign competitors. U.S. pork producers need the support of research directed at lowering the cost and increasing the efficiency of production through genetics, breeding, and other mechanisms. Product development and more sophisticated marketing will be required cornerstones if we are to sell competitively in the international marketplace. Agriculture in the 1990's also calls for the evaluation of alternative methods to respond to environmental concerns, and new initiatives to ensure the wholesomeness of food products for the consumer.

TRADE POLICY

The market forces of supply and demand would function well in the U.S. domestic context if left alone. However, that is not necessarily the case in the international export market where foreign producers are often subsidized. The U.S. Government needs to intervene to offset unfair foreign marketing practices, rules, or subsidies. The Federal Government should expand foreign market development efforts and assist in funding agricultural organizations in a fashion not possible by individual producers. This Federal support is needed to assist producers because they lack governmental authority and cannot readily act cooperatively.

We must also assess our market in terms of a world economy because of heightened international competition and potentially different global trade rules after the Uruguay round of the General Agreement on Tariffs and Trade. Although American pork producers only export slightly above 1 percent of their production, we are optimistic that the right trade policy will provide new opportunities for our products overseas.

Specifically, programs such as the Targeted Export Assistance (TEA) Program provided $1.8 million in 1988 and approximately $2.5 million in 1989 for pork-specific promotions. These TEA investments took U.S. pork to new markets in Japan, Hong Kong, Singapore, among others.

The Export Enhancement Program was not used to respond to unfair trade practices on pork. However, we hope that we can design export programs in the 1990 farm bill that will provide us an opportunity to be more responsive to trade-distorting practices of our foreign competitors.

A new "value-added" export program would help further our industry by affording us the opportunity to sell more pork competitively in overseas markets. U.S. sales of end-products that require little or no additional processing for consumption accounted for only 5 percent of world agricultural trade in 1987. Although one-fourth of U.S. agriculture exports fall into this end-product category, the United States remains a small player in this lucrative $134 billion international market.

In wake of recent developments in Poland and a subsequent need for food aid, the National Pork Producers Council has been active in pursuing trade programs to include pork bellies in any food aid package. As of late August, we had 96 million pounds of pork bellies in cold storage. This is approximately 30 million pounds over the historical 57.9 million pound 10-year average for pork bellies. Our efforts to ship pork bellies to Poland have pointed out a need to take a second look at Public Law 480 and other food aid programs that are designed to use surplus commodities.

The total value of pork and related byproduct exports increased to $382.5 million in 1988. However, in value terms the United States remains a net importer of pork, with the value of imported pork at nearly $934 million last year. Over one-half of our imports came from Canada, where pork producers received Federal and Provincial Government subsidies in excess of $20 per animal during the last year. Our producers are seriously concerned about these unfair subsidies fueling foreign imports of pork. In addition, we are seeking further assurances that pork imports meet the same health and sanitation standards that are required of domestically produced pork.

On the export side, U.S. producers are undaunted. Pork exports have a positive impact on slaughter hogs—in 1988, exports helped prices 90 cents per hundredweight. Moreover, 12.2 million bushels of corn and 3.1 million bushels of soybeans were exported through pork in 1988. Exports of pork contributed to domestic soybean and corn use and this helped support farm income. We are optimistic about the opportunities to increase exports of pork. Yet, we recognize that the rest of the world has also learned about the tremendous economic benefits of marketing grain through hogs.

CONSERVATION/WATER QUALITY

We recognize that future agricultural productivity in this country depends upon the continued availability of an adequate supply of ground water and fertile cropland. It is in the long-term interest of agriculture not to exhaust these resources for short-term profit.

Water quality is an important issue to producers both as domestic consumers and agricultural users. We pledge our support to the committee to address ground water quality concerns. We believe that there are tremendous opportunities to increase the amount of information available to our producers and to reduce the impact of ground water pollution on human health.

Clearly, there is a need for an accelerated program of technical, educational, and financial assistance at the local level to promote development and implementation of best management practices. These efforts will correct and reduce degradation of water supplies from agricultural activities. More technical assistance should be delivered through the Federal, State, and local cooperative approach that has proved so effective in conservation and erosion control programs.

Specifically, we believe that we can address many of the contamination threats to ground water through the help of the Extension Service and Soil Conservation Service (SCS) personnel.

To provide accelerated technical assistance to farmers, the Government could assign additional SCS technical staff to local field offices. The Extension Service could also deliver a broadbased education and outreach program on water quality. This program could increase farmers' awareness of the impact agricultural activities may have on our water supplies and provide information on effective practices to protect water quality.

In addition, the Agricultural Research Service and the Cooperative State Research Service can help develop an accelerated program of research on water quality. Their studies could find the best methods of controlling and reducing contamination of water supplies. Of course, we also need options, such as conservation reserve-type programs for situations where there is extreme water quality degradation.

The U.S. Department of Agriculture can play the lead role in coordinating and expanding existing programs to address many of the contamination threats to ground water. USDA will need to develop a system that can accurately assess the precise nature of the relationship between agricultural activities and ground water quality. It should also develop and facilitate the adoption of production management strategies that will prevent ground water contamination. Through a cooperative effort, USDA and farmers together will not only protect, but improve the Nation's most basic resource—water.

Commodity Programs

Because the 1985 farm bill has worked well in stabilizing U.S. agriculture, we encourage you to continue its general direction in the 1990 farm bill. The key to future farm programs is that they continue to be market-oriented. We would support minor adjustments in price support programs, such as more flexibility of planting and other similar changes. New flexibility provisions should not only be responsive to market signals, but encourage good rotation practices that are agronomically and environmentally sound.

Food Safety

Pork Producers are concerned about food safety and see the need for continued efforts to ensure that we provide safe and wholesome products to the consumer. In fact, we have developed our own Quality Assurance Program to help our producers avoid illegal drug residues, improve management skills, and reduce production costs. This education program, if put into practice by the majority of U.S. pork producers, will help the industry protect or even expand its market for pork. This will be accomplished by reducing the risk of incidences that could destroy consumer confidence in pork. The Pork Quality Assurance Program provides information on hog-feed preparation, minimum withdrawal times, on-farm testing, and producer self-certification.

We support congressional efforts to make fish inspection consistent with meat and poultry inspection by having the U.S. Department of Agriculture responsible for inspection and other regulation. Moreover, it may be more appropriate not to have food safety as a separate title of the farm bill, but address it in freestanding legislation before the 1990 farm bill.

Conclusion

The 1980's have brought dramatic adjustments to agriculture here and abroad. The 1990's are likely to bring additional changes with the world economy being more interdependent than ever. Biotechnology, environmental concerns, and more sophisticated foreign competition point to a whole different horizon of change. Therefore, we must stand ready for new directions for farm and trade policy. The

National Pork Producers Council offers its services in helping to design a new farm bill that will lead us into the next century.

Prepared Statement of Glenn Smith, Executive Vice President, Georgia Cattlemen's Association, Macon, GA

Good morning, Mr. Chairman, my name is Glenn Smith, and I represent the Georgia Cattlemen's Association as executive vice president. GCA is the largest single commodity farm organization in the State of Georgia representing over 6,200 cattle producer members. Through our national affiliate, the National Cattlemen's Association (NCA), we speak for over 230,000 cattle producer members across the Nation.

The $35 billion cattle industry is the largest segment of American agriculture according to cash receipts, and here in Georgia cattle rank as our third largest cash crop behind only broilers and peanuts. Cattle are found in every county in Georgia and involve more individual producers than any other commodity in our State.

Five years ago, the cattle industry, through NCA and other State cattlemen's associations like GCA, became a participant in the formulation of the 1985 farm bill. Even though GCA and NCA were new players, we immersed ourselves in various issues. Some the issues which were important then, and which remain of interest and concern to cattlemen include the following:

Feedgrains: Market oriented grain policy was perhaps the most important policy change for the cattle industry in the 1985 act. Buying grain based on world market prices allowed cattlemen to timely gauge production costs based on supply and demand factors. Cattlemen strongly support the continuation of farm programs which allow free market forces to determine prices.

Beef Promotion: The beef checkoff program has helped the cattle industry tell the story of how nutrient-dense beef benefits the diet, as well as to bolster demand. The checkoff was approved by an overwhelming majority of cattlemen in a producer referendum, and we in the industry thank Congress for giving us the opportunity to prove the merits of this producer-funded self-help program.

Conservation Reserve: The Conservation Reserve Program will certainly be reviewed in the 1990 farm bill discussions. The prohibition of haying and grazing on CRP land during the term of the contract has proven to be a wise and prudent decision. With over 30 million acres now enrolled in the CRP, it is easy to see the dramatic effect haying and grazing would have had if it had been allowed. A new haying and grazing law was passed for annual set-aside acres in 1987 because of an oversight in the 1985 act. The new law is a fair compromise that recognizes regional differences. We hope this new law will end the debate on haying and grazing, and that any additional haying and grazing would not be permitted except in time of natural disaster. The question of what to do with the land after the 10-year contract expires will surely arise as an issue. It seems only appropriate in a free-enterprise system that the land go back into commercial use unless a new contract be negotiated.

Dairy Policy: Cattlemen support a market-driven farm program for the dairy industry. Cattlemen are strongly opposed to another whole-herd buyout or diversion program. Both of these programs have in the past caused serious market disruption and financial losses for cattlemen. The preposterous idea that these losses were only "on paper" is of little consolation to the thousands of cattle producers—many of whom raise cattle in the very county in which this hearing is being held today—who lost money on cattle in 1986 as a direct result of the Dairy Termination Program.

Congress must continue to develop dairy policy that ensures low surpluses of dairy products. Cattlemen fear that if dairy surpluses accumulate to unacceptable levels, another dairy herd reduction program will be implemented to resolve the problem. Cattlemen want to work with the dairy industry to ensure that the concerns of the beef industry are met during future policy development. Cattlemen cannot stand by and allow implementation of dairy policy that encourages overproduction and excessive surpluses, particularly at the expense of innocent beef cattle producers.

Conservation Policy: The conservation title of the 1990 farm bill may prove to be the most controversial because of forces from outside of the traditional agricultural sector. From environmental groups, other congressional committees and the White House, the debate regarding conservation may be the most hard fought battle.

Cattlemen, too, support good stewardship of land and all natural resources. Clearly, it is in the best interests of all farmers and ranchers to care for the land and water resources upon which our very livelihood, as well as the saftey and health of our own families, is dependent. We believe, however, that this stewardship is most effective through private property ownership and management. Therefore, GCA and NCA believe it is imperative to closely guard private property rights as Congress writes environmental laws. Farmers and ranchers will depend on both of the Agriculture Committees to defend and protect the producers' private agricultural property.

The Food Security Act of 1985 appears to be a success. One of the keys to this accomplishment was the fact that Congress did not change the act in mid-stream. By allowing the act to mature, farmers and ranchers have been able to plan and implement management practices without fear of Washington changing directions. Cattlemen hope that the 1990 farm bill will follow the same direction of longevity and relying on market forces to drive farm policy.

Cattlemen plan to remain involved in the development of U.S. farm policies. Our primary areas of concern will be the grain, dairy, and conservation titles. This is not to say that other issues will not surface as the bill develops. GCA and NCA will work diligently with other agriculture groups to develop consensus and coalitions in order to create a farm bill that we can all be proud of.

Certainly, there will be new issues and provisions in the 1990 farm bill that have not surfaced and will need to be discussed. GCA and NCA will closely follow all titles and will take part in developing the programs that affect our industry.

Mr. Chairman, thank you for the opportunity to be here today.

PREPARED STATEMENT OF A.J. SINGLETARY, CHAIRMAN OF TRISTATES PANEL ON AGRIBUSINESS, A PARTNER IN SINGLETARY FARMS, BLAKELY, GA

Chairman Leahy, Senator Fowler, and other committeemen, we appreciate you coming to this area to hold hearings and receive the input on the upcoming farm bill. I am A.J. Singletary, a partner in Singletary Farms, Blakely, GA.

I come today however, as chairman of the Tristates Agribusiness Panel of SouthTrust Bank of Dothan, a panel whose goal is the improvement and growth of farming and agribusiness in the tristate area. A list of panel members includes farmers, bankers, peanut shellers, and other agribusiness representatives and people from colleges and experiment stations of the three States (see enclosed list).

At recent meetings we have discussed the farm programs as they relate to several of the commodities. Farms in this area tend to be very diversified. Most of the crops grown benefit from rotation. Consequently, this area is vitally interested in all aspects of the farm program. Peanuts, as an example, are very demanding of rotation.

Members of the committee who are leaders in various commodity groups related plans in their area and the panel gave general encouragement for such plans as recommended. Slight changes in each program may be necessary to accommodate different needs in other areas of the country or in other phases of the related industries. We must maintain enough profitability, both in farm production and the infrastructure, which supports it to continue the strong positions the United States now holds. Such plans are:

1. *Peanut commodity.*—Groups have indicated support for the programs to remain essentially as in the 1985 law with relatively small changes which will be addressed by grower representatives. The panel concurs with this thinking but wishes to emphasize the large economic impact which this crop has on the area. Any change which lowers the gross income would affect most businesses and consequently much of the population of large areas of south Georgia and south Alabama and several counties in north Florida. Gross income from peanuts to farmers in the three States varies from $700 to $850 million annually. Economists usually use a multiple of six to show the impact on the total economy or *$4 to $5 billion.*

2. *Cotton.*—Only a few minor changes are being requested by cotton growers.

3. *Feed grain wheat.*—Most growers feel that the 1985 law has worked. The law may not need much change except that target prices need no further reduction, but to increase as cost of inputs rise.

4. *Soybeans.*—Growers are in the process of finalizing suggestions for an improved soybean program that will stabilize prices to some extent with some improvement in farm income, yet continue to encourage exports. Final details have not been discussed by this group, however we feel the soybean program in the 1985 act needed improvement. The suggested graduated loan program appears to have merit.

5. *Soil conservation.*—This service should be strengthened and the Conservation Reserve Program has worked well. Some of the more stringent rules on sod busting

and wetlands may need adjusting to a realistic tradeoff between practical land use and retaining minimal deterioration in the environment.

6. *Forestry.*—Policies promoting good forestry practices need to be continued. We need to grow more timber than we harvest to have supplies available for increased demand in the future. Relief on capital gains tax will aid in future supplies.

Mr. Chairman, it appears that increased attention is being put on environmental issues of all kinds, wetlands, woodlands, water purity, chemical residues, and other. The agricultural community is very aware of the dangers involved and wish to cooperate in proper procedures for protections. In fact, most people in agriculture and rural areas have far higher exposure than the population in general and have more reasons to be concerned. We believe, however, there should be concern on the part of everyone that protective measures are based on scientific study along with reasonable parameters. A material that cannot possibly be consumed beyond 1 pound per day should not be considered dangerous if it requires consumption of 2,000 pounds a day to cause danger. There should be consideration of benefits as opposed to risk. It's foolish to hamper food production to the point people starve at early ages instead of being at risk of dying of cancer at age 100 because they have eaten foods produced with pesticides and chemical fertilizers all those years. Some people can afford to run food costs up astronomically for ridiculous measures of safety, but people on tight budgets need safe food at reasonable cost. People in agribusiness and agriculture stand ready to cooperate in making necessary changes in the laws and regulations to accomplish this purpose.

Though this hearing is on a farm bill, many other phases of policies such as taxes, tariffs, merchant marine policy, interest rates, fiscal policy, and foreign trade policy all have great influence on agriculture and agribusiness. We can only say "Please keep this fact in mind when dealing with such other policies." The U.S. farmer can compete with other farmers but not with other governments.

Mr. Chairman, we appreciate your coming to this area and giving us an opportunity to discuss these matters with you.

[The enclosed list follows:]

TRISTATES PANEL, UPDATED JULY 25, 1989, FOR AGRICULTURE AND AGRI-BUSINESS

(Host: SouthTrust Bank of Dothan)

PURPOSE

(1) To address the problems;

(2) To provide soulutions and/or guidelines; and

(3) To communicate our findings to the proper people, in the most effective manner.

PANEL

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ATTENDING MEETING AUGUST 18, 1989

Chuck Williams, Director, Agribusiness Department.

PREPARED STATEMENT OF GREG MCCORMICK, BOB'S CANDIES, ALBANY, GA

I appreciate the opportunity to give a small users perspective on the cost of the U.S. sugar program.

WHAT IS THE COST?

The word can take on as many meanings as there are people in the world. To many in this room, the fact that a candy bar costs 35 cents or 40 cents might not be that big of a deal—but to a 10-year-old kid on $1 a week allowance, the difference between a nickel piece of candy and a 3-cent piece of candy can be all the difference in the world, that's what we, at Bob's Candies, along with hundreds of other small sweetener users in the United States are faced with today.

Bob's Candies is a family business, having been started by my grandfather in 1919. We were initially a general line candy manufacturer, making all kinds of candy—from chocolate to nut rolls, peanut crackers to hard candy. It wasn't until the last 35 years that Bob's has taken on its reputation as a hard candy manufacturer. We have evolved into this type of operation because we were able to improve existing technology in this area, and specialize to the extent no one else could in the 1950's. In the past few years, however, technology and specialization have had little to do with success or failure in our type of business.

According to U.S. Department of Commerce figures for 1986, imports of nonchocolate type confectionery have risen over 250 percent since 1982 alone to a point where they hold over 11 percent of this entire market segment. What is more frightening, prior to 1982, U.S. nonchocolate confectionery manufacturers had competed quite well against foreign manufacturers—so well in fact that between 1976 and 1982 imports were down 24 percent. Clearly the passing of the 1981 agricultural bill has had a very definite negative effect on domestic hard candy manufacturers. The candy I am speaking of is not the high priced European chocolates that have appeared in many department stores, and specialty shops, but rather simple candies of corn syrup, sugar, and flavor, which are imported from such countries as Brazil, Colombia, and Argentina. Unlike much of the European imports which stress quality and exclusiveness, these hard candy imports stress one thing—price! Even though that's all they tout, it's a pretty big point when all of your raw materials of sugar and corn syrup cost one-half to one-fourth what it costs your U.S. competitors. As an idea of the price discrepancies, we are talking about we have received quotes for delivered hard candy from Brazil at prices 30 to 50 percent less than we can make the same product.

There are those who would say that a world sugar price in the United States would not make much difference in the price of a piece of candy. I'm here to tell you that as far as Bob's Candies is concerned, that is just not so. Last year, if we had had a domestic sugar price that was competitive with what could be obtained on the world market, Bob's Candies price to its customers would have been 12 to 40 percent lower, depending on the sugar content of the product. In many cases, this price reduction would negate much, if not all of the price advantage our foreign competitors have. Back in the early 1980's, this price variation was more of a nuisance than a problem, as these foreign competitors lacked much in service and marketing expertise to effectively impact the U.S. market. Yet, after 6 years of free U.S. Government protection, these foreign competitors have managed to learn a great deal about the U.S. market, and how they can better sell to our market. Around this time, 1983, we, at Bob's, took what was not a pleasant decision. Being a family business with 10 family members in the company, and having the reputation of being a strong supporter of our local Albany, Georgia, economy, we began the painful search for production facilities outside the United States. We had already decided that we would move as little of our facility as possible, for the main reason of giving us a toehole abroad, should the political situation with regard to sugar continue to be a problem. After 12 months of searching and evaluating, we opened a small production plant in Kingston, Jamaica. This plant manufacturers only one type of candy—mainly, pure sugar candy. This candy is made of only sugar and flavor, and has the consistency of a butter mint, without the butter. The costs savings we realized were even larger than anticipated. Even though Jamaica did not have a domestic source for white refined sugar, we were able to import sugar from the United States and Europe at 11 to 13 cents per pound, despite the fact that approximately 3 cents of this cost was freight.

As we all know, prices over the last few months are somewhat higher, yet still much lower than what we pay in the United States.

The bulk of our business (candy canes) continues to be made in the United States, as there were other things besides price to make and sell a candy cane. It wasn't until 1986, that the technology and marketing ability were exported out of the United States. This time, however, the country of origin was not in South America, but rather a Communist bloc country—Yugoslavia. So, now, 4 years after starting an operation in Jamaica, we are staring down the barrel of a gun again. Do we seriously consider moving the rest of our 400-employee operation outside of the United States, or do we continue domestic production, and try and combat foreign competition, even though our foreign competitors are being bank-rolled by our own Government? It's a question that has both economic and emotional answers. We, as a company and family, don't want to produce our candy outside of the United States. Yet, from an economical standpoint, we, and hundreds of other small companies like ourselves, are faced with the realization that unless legislation changes, we will either have to move offshore or watch our U.S. candy industry jobs be exported to foreign countries.

What can be done from our point of view? I guess it's too much to ask and has made too many people wealthy beyond expectation, to expect our sugar farmers to compete with world sugar pricing, and maybe there is something to be said for the stability in prices and legislation has brought. Lord knows, I never thought I would be a proponent of further legislation—but, if sugar quotas are to maintain domestic sugar prices at their present levels indefinitely, maybe what we need would be a quota on all imported products in relation to their sweetener content to artificially inflate their prices. This would include many classes of products besides candy, such as soft drinks and bakery products.

There is nothing better we would like as a company than to have to close our Jamaican plant because it could not compete in the U.S. market.

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